MB-124A

Sl.No. :

Total No. of Pages : 3

Fourth Semester M.B.A. Degree Examination, May - 2025
(SLM Scheme) (Non - CBCS)
MANAGEMENT
Elective - A : FINANCE
Derivatives

Time : 3 Hours **Max. Marks : 80**

SECTION - A

Answer any five sub-questions. Each question carries three marks : **[5 × 3 = 15]**

Q1) a) Define Risk management.

b) What do you mean by hedging?

c) What is spreads?

d) What do you mean by interest rate derivatives?

e) What is an index future?

f) What do you mean by options and futures?

g) What is margin account?

SECTION - B

Answer any four questions. Each question carries five marks : [4 × 5 = 20]

Q2) Explain the classification of derivatives.

Q3) Differentiate between futures and options.

Q4) Explain the advantages and disadvantages of derivatives.

Q5) Explain the types of options.

Q6) Share X is currently available at Rs.100/-. The risk free rate of interest is 8% per annum compounded continuously. What should be the ideal contract price of one-month futures contract. Also find the value of a one-month futures contract on the given index assuming that each contract has 200 units.

Q7) The spot price (S_0) for a barrel of oil is Rs.1000/-. The cost of storing 1 barrel of oil is Rs.20/- per month. What would be its future value. If the length of the contract is 3 months continuously compounded risk free rate is 8%.

SECTION - C

Answer any three questions. Each question carries ten marks : [3 × 10 = 30]

Q8) Explain the factors affecting option prices.

Q9) Elucidate futures trading in commodity exchange and forward markets commission.

Q10) What is risk management? Why is it important?

Q11) Company ABC and XYZ have offered the following rates per annum on a Rs.200 million loan.

	Fixed rate %	Floating rate %
ABC	12.0%	MIBOR + 0.1%
XYZ	13.4%	MIBOR + 0.6%

ABC requires floating rate loan and XYZ requires fixed rate loan. Design a swap that will net a bank acting as intermediary 0.1% per annum and equally attractive to both the parties. Show the diagram.

Q12) From the following information prepare the margin account of the trader who had taken a long position, number of contract is equal to 1; number of units per contract is 50; price per unit on day 1 Rs. 700; Initial margin being 12% and maintenance margin is 75%. Assuming that all margin calls are honoured immediately.

Days	1	2	3	4	5	6	7	8	9
Price	693	682	663	648	623	610	633	638	621

SECTION - D

Q13) **Case (Compulsory) :** **[1 × 15 = 15]**

For the following data value the call option under the Black and Scholes model.

Stock Price	Rs. 50/-
Months to expiration	3 months
Risk free rate of interest	10% P.A
Standard deviation of stock	40%
Exercise Price	Rs. 55/-
Option type	European Call

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