Code: 9E00403a

MBA IV Semester Regular & Supplementary Examinations, June 2012

FINANCIAL DERIVATIVES

(For students admitted in 2009-10 & 2010-11 only)

Time: 3 hours Max Marks: 60

Answer any FIVE questions

All questions carry equal marks

*****

1 Explain the advantages of derivatives with special reference to India.

2 Describe fundamental linkages between spot and derivative markets and its role.

3 Define hedging. Explain the hedging strategies in financial derivatives with a suitable example.

4 Calculate the price of a forward contract using the following data

Price of the share	Rs 75
Time to expiration	9 months
Dividend expected	Rs 2.20 per share
Time to dividend	4 months
Continuously compounded risk free rate of return	12% p.a.

5 If the spot price of a stock is Rs 40 and strike price is Rs 48/-, Risk free rate of interest is 10% p a and standard deviation of stock is 40%. Expiration date is 3 months and option type is european option, calculate the value of call option as per Black-Scholess model.

6 Determine the advantages of option trading strategies. Explain option trading strategies with appropriate examples.

7 What are properties of swaps? Explain the evolution of swap market.

8 What is swap? Describe various types of swaps.

*****