

C 3427

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Name.....

Reg. No.....

**FOURTH SEMESTER M.B.A. DEGREE (REGULAR/SUPPLEMENTARY)
EXAMINATION, JULY 2021**

(CUCSS)

M.B.A.

BUS 4EF 07/IB 07—FINANCIAL DERIVATIVES

Time : Three Hours

Maximum : 36 Weightage

Section A*Answer **all** the questions.**Each question carries 1 weightage.*

1. What are derivatives ?
2. What do you mean by Forward Contracts ?
3. What do you mean by Intrinsic value ?
4. What is volatility ?
5. Distinguish between call option and put option.
6. What is an interest rate swap ?

(6 × 1 = 6 weightage)

Section B*Answer any **four** questions.**Each question carries 3 weightage.*

7. Explain the difference between hedging, speculation and arbitrage.
8. Define Derivatives. Explain different types of financial derivatives.
9. Explain the difference between regular credit default swaps and binary credit default swaps.
10. "Option contracts are relatively more safe derivatives instruments". Explain.
11. What do you mean by put-call parity ? Explain with suitable examples.
12. Explain Black-Scholes model.

(4 × 3 = 12 weightage)

Turn over

Section C

*Answer any **three** questions.*

Each question carries 4 weightage.

13. Discuss the various functions and advantages of derivatives markets.
14. Explain the various types of derivatives. Differentiate between cash and futures market.
15. What are currency swaps ? Explain the different types of Currency swaps and structure.
16. Distinguish between spread, straddle and strangle option strategies with examples.
17. What is hedging ? Explain various types of hedging strategies using derivatives.

(3 × 4 = 12 weightage)

Section D

*Answer the following **compulsory** question which carries 6 weightage.*

18. Assume that the spot price of a particular stock is Rs. 180 and the risk-free interest rate is 15 %. If a 90 day call option with a strike price of Rs. 175 on this stock is trading at Rs. 15, what will be the price of a put option of the same maturity ?

(1 × 6 = 6 weightage)