C 23490 **(Pages : 2)** **Name.....**

Reg. No.....

FOURTH SEMESTER M.B.A. DEGREE (REGULAR/SUPPLEMENTARY) EXAMINATION, JULY 2022

(CUCSS)

M.B.A.

BUS 4EF 07/IB 07—FINANCIAL DERIVATIVES

(2016 Scheme)

Time : Three Hours Maximum : 36 Weightage

Section A

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

1. What are derivatives ?
2. Define SWAP.
3. What do you mean by time value of an option ?
4. What is delta ?
5. Define forward contract.
6. What is volatility ?

(6 × 1 = 6 weightage)

Section B

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

7. Explain the differences between future and option contracts.
8. Distinguish between straddle and strangle option strategies.
9. What is Hedging ? What are the various applications of hedging in case of financial derivatives ?
10. Distinguish historical volatility and implied volatility.
11. Explain the role of speculators in derivatives market.
12. Explain the concept of currently swap ? What are the various types currency swap ?

(4 × 3 = 12 weightage)

Turn over

Section C

Answer any **three** *questions.*
Each question carries 4 *weightage.*

13. Briefly discuss the factors contributing to the growth of financial derivatives.
14. What are options ? Explain various types of options and factors affecting option pricing.
15. Explain Black - Scholes model with suitable examples.
16. What are swaps ? Explain the various types of swaps.
17. What is delta ? Explain delta hedging with example.

(3 × 4 = 12 weightage)

Section D

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

18. ABC Securities will need to purchase a security in 90 days. It expects the security prices to rise by that time, so it decides to hedge this risk by buying the security forward. The spot price of the asset is Rs. 5,000. If the interest rate is 7.5 % p.a. Calculate the price of the 90 day forward for the security.

(1 × 6 = 6 weightage)