

D 42950

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Name.....

Reg. No.....

FOURTH SEMESTER M.B.A. DEGREE EXAMINATION, JUNE 2018

Syllabus Year 2016

M.B.A.

Specialisation : Finance / International Business

BUS 4E F07/IB 07—FINANCIAL DERIVATIVES

Time : Three Hours

Maximum : 36 Weightage

Section A

Answer all the questions.

Each question carries 1 weightage.

1. What is meant by Financial Derivatives ?
2. What is Futures and Options ?
3. What are American options ?
4. What is stochastic finance ?
5. What is currency swaps ?
6. What is call and put options ?

(6 × 1 = 6 weightage)

Section B

Answer any four questions.

Each question carries 3 weightage.

7. What are the barriers of options ?
8. Explain credit default swaps ?
9. What is asset price random walks ?
10. Explain modeling option prices ?
11. What do you mean by risk for option portfolios ?
12. Explain the hedging options ?

(4 × 3 = 12 weightage)

Turn over

Section C

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

13. Explain the Black and Scholes model ?
14. Explain Financial Engineering ?
15. What do you mean by betting on a small price increase ?
16. Explain the pricing and valuation of swaps ?
17. Explain the delta, gamma and vega hedging using options and futures ?

(3 × 4 = 12 weightage)

Section D

Answer the following compulsory question which carries 6 weightage.

18. An investor purchases 25 futures contracts in shares of Asian Ltd., each contract consisting of 25 shares. The futures price is Rs. 170 per share. At the end of next few days, the shares futures price was Rs. 171, 172 and Rs. 170 respectively. The contract is marked to margin on daily basis. He takes the delivery on the third day. Find out his cash flow position on different days. Ignore initial margin.

(1 × 6 = 6 weightage)