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Name.....

Reg. No.....

**FOURTH SEMESTER M.B.A. DEGREE EXAMINATION, MAY/JUNE 2019**

(CUCSS)

M.B.A.

**BUS 4E F07/IB 07—FINANCIAL DERIVATIVES**

(2016 Admissions)

Time : Three Hours

Maximum : 36 Weightage

**Section A**

*Answer all the questions.*

*Each question carries 1 weightage.*

1. What is meant by Derivative securities ?
2. What is forward-spot parity ?
3. What is commodity swaps ?
4. What is value at risk ?
5. What is diffusion processes ?
6. What is interest rate risk ?

( $6 \times 1 = 6$  weightage)

**Section B**

*Answer any four questions.*

*Each question carries 3 weightage.*

7. What are the different options involving several assets ?
8. What do you mean by Betting on a large price decrease ?
9. Explain asset price random walks.
10. Explain different exotic options.
11. What are the different types of valuation of credit default swaps ?
12. Explain the sensitivity analysis.

( $4 \times 3 = 12$  weightage)

**Section C**

*Answer any three questions.*

*Each question carries 4 weightage.*

13. Explain the basic option pricing.
14. Explain the extention of Black and Scholes formulae.

**Turn over**

15. Explain the options on stock indices.
16. Explain the pricing and valuation of swaps.
17. Describe different swap transactions.

( $3 \times 4 = 12$  weightage)

#### Section D

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

18. ABC Ltd., which is exporting gold jewellery worth US\$ 50000 wants protection against possible Indian Rupee appreciation in Dec.'17, i.e., when it receives the payment. Currently, \$ are being traded at Rs. 74.65 which is expected to decline to Rs.74.30 till Dec ' 17. In the futures market, Dec'17 futures are available at Rs. 74.65. It wants to lock-in the exchange rate for the above transaction. Design an appropriate strategy.

( $1 \times 6 = 6$  weightage)