Code: **BA4T7F**

II MBA - II Semester - Regular Examinations JUNE 2015

FINANCIAL DERIVATIVES

Duration: 3 hours   Max. Marks: 70 M

SECTION-A

1 Answer any FIVE of the following: **5 x 2 = 10 M**
   a. Usage of Derivatives
   b. Warrants
   c. Spread
   d. Volatility
   e. Swaps
   f. Hedging
   g. Spot Price
   h. Call option

SECTION – B

Answer the following: **5 x 10 = 50 M**

2 a) What do you mean by Forward contract? Differentiate
     between forward and future contract.
                              OR
  b) What are the different types of financial derivatives?
     Comment on the perspective of derivatives market in India.

3 a) What is Stock Option? Discuss different types of Option in detail.

OR

b) Explain in detail the different factor affecting the price of the option contract in market.

4 a) What do you mean by Spread Strategy? Explain different types of spread Strategy.

OR

b) Describe Straddle and Strangle strategy of option trading.

5 a) Explain in detail two-step binomial model with the help of suitable example.

OR

b) What is Volatility? Explain Causes of Volatility.

6 a) Explain in detail Interest rate and Equity Swaps.

OR

b) What do you mean by Credit derivatives? Explain credit default swaps in detail.

SECTION – C

7. Case Study   **1 x 10 = 10 M**

A European Option with 20 days to expiration having strike price of 105 and the price of the stock is 100 and the stock has a daily volatility of 0.02. Interest rate is 1% per annum. Calculate the fair value of option by using Black Scholes Model.