PVP 12

Code: **BA4T7F**

II MBA - II Semester - Regular Examinations JULY 2014

FINANCILA DERIVATIVES

Duration: 3 hours Max. Marks: 70 M

SECTION-A

1. Answer any FIVE of the following: 5 x 2 = 10 M

a. Future Contract
b. Convertibles
c. Put option
d. Interest Rate future
e. Strike price
f. Equity Swaps
g. Hedge ratio
h. Binomial Model

SECTION – B

Answer the following: 5 x 10 = 50 M

2. a) What do you understand by Financial Derivatives? Explain the significance of Derivatives in capital market.

OR

b) What is Future contract? Explain in detail different types of future contract.

3. a) Explain the different features of stock option.

OR

b) What are warrants? Explain the difference between Options and Futures contract.

4. a) What do you mean by Combination trading strategy? Explain in detail Strips and Straps trading strategy.

OR

b) Explain Different hedging strategy used in derivatives market.

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

OR

b) Describe in detail Black-Schools Model.

6. a) What is Swaps? Explain different types of Swaps.

OR

b) What do you mean by Interest rate cap and floor? Describe importance of Interest rate swaps.

SECTION – C

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

A European Option with 2 months to expiration having strike price of 470 and the price of the stock is 460 and the stock has a daily volatility of 58%. Interest rate is 2% per annum. Calculate the fair value of option by using Black Scholes Model.