PVP 12

Code: **BA4T7F**

II MBA - II Semester - Regular Examinations - MAY 2016

FINANCIAL DERIVATIVES

Duration: 3 hours Max. Marks: 70 M

SECTION-A

1. Write short notes on any FIVE of the following: 5 x 2 = 10 M

a) Put option
b) Index futures
c) Option on indices
d) Currency swap
e) Equity swap
f) Credit default swaps
g) Warrants
h) Forward price.

SECTION – B

Answer the following: 5 x 10 = 50 M

2. a) Bring out the difference between forward and futures contracts.

(OR)

b) Discuss the position of derivatives market in India.

3. a) Describe the mechanics of option market.

(OR)

b) "Stock options are for speculators" comment on this statement.

4. a) Explain the difference between Spreads and Combinations, give two examples of each.

(OR)

b) Write the Hedging Strategies using Derivatives.

5. a) State the assumptions underlying the Black & Scholes model.

(OR)

b) What do you understand by implied volatility? How it can be calculated?

6. a) Why is an interest rate swap simpler to a features contract?

(OR)

b) What are equity caps & floors? Explain.

SECTION – C

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

Using the information given below, estimate the implied volatility in the call option values:

a. Spot price of the share = Rs. 256
Time to maturity = 54 days
Exercise price = 248
Risk-free rate p.a. = 8%
Call Premium = Rs. 14.30.

b. Exercise price = Rs. 256
Call premium = Rs. 12.40

Other inputs as in (a) above.