

MBFM 4005

M.B.A. DEGREE EXAMINATION,
DECEMBER 2014/JANUARY 2015.

Fourth Semester

Finance

FINANCIAL DERIVATIVES

Time : Three hours

Maximum : 100 marks

PART A — ($5 \times 6 = 30$ marks)

Answer any FIVE questions out of the following.

1. What are the various types of financial derivatives?
2. Describe the advantages and disadvantages of forward and future contract.
3. Discuss the nature of currency swaps and explain the different types of currency swaps.
4. Write short notes on
 - (a) Interest Rate Swaps
 - (b) Black-Sholes Option Pricing.
5. Explain the theories of future prices.

6. What are the various types of hedging strategies?
7. Explain the recent trends in Financial Derivatives Market in India.
8. Explain Badla System in Indian Stock Market.

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions out of the following.

9. List down and explain in detail the different types of players in derivatives market.
10. Explain Binomial Option Pricing Models. What are the variables needed in this model to calculate the option price?
11. Explain the functions and growth of Future Market in India.
12. "Stock Index Future as the powerful tool or risk management used by mutual funds, the pensions fund and investment companies" Discuss.
13. Explain the Major Recommendations of Dr. L.C.Gupta Committee regarding derivatives.
14. What are the various types of Credit derivatives instruments?
15. What are the differences between Credit risk and Market risk? Is it possible to hedge credit risk?
16. Discuss Trading Strategies involving options in detail.

PART C — (1 × 20 = 20 marks)

Compulsory.

17. Case Study

An Indian MNC recently reported in the annual report that it has lost funds in foreign exchange operations. It was also mentioned in the report that this happened due to many opened positions involving derivatives. Discuss the experiences of Indian corporate and financial institutions in using derivatives.