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Code: 17MBA4004

SET-2

**ADITYA INSTITUTE OF TECHNOLOGY AND MANAGEMENT, TEKKALI
(AUTONOMOUS)**

**II MBA IV Semester Regular & Supplementary Examinations, September-2020
FINANCIAL DERIVATIVES**

Time: 3 Hrs

Max. Marks: 60

**Answer any Five questions
All questions carry EQUAL marks
Question No. 8 is Compulsory**

1. Define the term “Financial Derivatives”. What the uses of financial derivatives? Discuss.
2. Explain the regulatory frame work of futures trading in India.
3. Distinguish between forward contracts and futures contracts
4. What do you understand by Hedging? Explain Long Hedge and Short Hedge with examples.
5. Define the concept of swap. What are the Economic Functions of swap transactions.
6. What is option value? Explain how to calculate intrinsic value and time value
7. Explain different models of option pricing.
8. **CASE STUDY:**

From the following data, calculate the price of the call option and the put option by using Black-Scholes option pricing formula:

Current Stock price = Rs. 160 per share

Volatility of the share = 20%

Risk-free interest rate = 8% p.a

Exercise Price = Rs.150

There is a call option as well as put option on the share expiring in 6 months.

Time: 3 Hrs

Max. Marks: 60

**Answer any Five questions
All questions carry EQUAL marks
Question No. 8 is Compulsory**

1. Define nature and significance of performance appraisal.
2. You being a Performance Management Professional, suggest about components to be included in a typical PA format.
3. 'Leading High performing teams is a business strategy.' Comment.
4. Elaborate the process that assessment centers are used to recruit a prospective candidate for an organization.
5. 'Performance management: It's about performing – Not just appraising.' Comment.
6. Explain the need for Reward policy in an organization for retention of human resources.
7. 'Monetary rewards not all the time a motivating tool for employee performance.' Comment.

8. Case (Compulsory): The Worst Possible Performance Management System

Founded in 1990 in Englewood, CO, the A-Team Company now faces numerous resource challenges in a highly competitive global environment. In particular, the CEO of the A-Team Company realizes that the firm lacks the necessary human resource capacity to serve an increasingly internationally diverse and demanding customer base. Thus, the CEO wants Parker, the head of the HR department, to take the strategic role of implementing an effective performance management system; the firm currently has a performance *appraisal* system. Parker is thrilled and eager to use this opportunity to prove to his colleagues that HR is indeed of strategic importance rather than being the firm's bureaucrats or police.

But the CEO wants some accountability from Parker who will thus not be given a blank check to do whatever he wants to do right away. The CEO comes up with a creative way of achieving greater accountability. Before any steps are made to implement Parker's plan, a third party HR consultant who has little to no emotional ties to the concept of performance management, and certainly none to Parker, is hired and assigned the task of describing the worst possible performance management system. The CEO will then ask how Parker plans to make sure that the performance management system at the A-Team Company will not become anything close to the worst possible performance management system. Also, the CEO intends to assess the future performance of Parker partly based on the similarity or dissimilarity between the actual performance management system implemented and the worst possible performance management system that the consultant will have described.

You are the consultant that the CEO has hired. What would the worst possible performance management system look like? What effects would it have on the individual, group, or organization? In short, describe a scenario. Be specific.