

Roll No.

Total No. of pages: 2

Exam Code

2594

MMS/M11
Financial Derivatives
Paper: FM-404

6812

Time: Three Hours]

[Maximum Marks: 70

Note:- Attempt **FIVE** questions in all. Question No. 1 is compulsory. All questions carry equal marks.

1. Answer each question in app. 80 words:
 - a. What is the concept of derivatives?
 - b. What do you mean by mark-to-market?
 - c. What is hedging in Financial Derivatives?
 - d. What is forward rate agreement?
 - e. Distinguish between European and American option
 - f. What is Expectation Theory?
2. Explain the different types of financial derivatives. Explain the trading mechanism of futures trading alongwith its settlement procedure in Indian stock market. Give recent developments too.
3. Critically examine the various theories of future pricing alongwith their limitations. Which theory is most appropriate and why?
4. What do you mean by interest rate futures contract? What are its different types? Explain in brief trading mechanism and pricing of short term interest rate of futures with suitable examples.
5. Critically examine the Black-Scholes option model in context to its application, assumptions and limitations. Explain with imaginary data.

6. Write notes on the following:
 - (i) Options on stock indices in India
 - (ii) Currency futures trading mechanism.

7. What do you mean by swap contract? How it is different from forward contract?
Also explain mechanism currency swap contracts with suitable examples.

8. Write notes on the following:
 - (i) Trading Strategies involving options
 - (ii) Hedging Strategy through futures