

MMS/M08
Financial Derivatives
Paper: FM-404

7557

Time : Three Hours]

" [Maximum Marks": 70

Note :- Attempt FIVE questions in all. Question. No-1 is compulsory.

Other FOUR questions may be attempted from other SEVEN questions. All questions carry equal marks.

1. Answer each question in 80 words approximately:
 - (i) What is Financial Derivative?
 - (ii) What is OTC market?
 - (iii) Distinguish between hedger and arbitrageur.
 - (iv) What is Cross Hedging?
 - (v) What is invoice price in interest rate futures?
 - (vi) What is cash and carry in futures trading?
 - (vii) Explain the term time value of option.
2. Distinguish between forward contract and futures contract. Explain the relationship between forward and futures prices. Also explain in brief forward trading mechanism.
3. What is Hedging? How will you use futures contract for hedging? Also explain the steps to be taken in devising a hedging strategy. Explain with examples.
4. What is interest rate futures? What is its significance? Explain the trading mechanism of short-term interest futures market with examples.
5. Explain the various trading strategies involving options with suitable diagrams and illustrations.
6. Critically examine the various pricing theories of derivatives with -- examples.
- "1. Write notes on the following:
 - (i) Binomial model of option pricing
 - (ii) Trading mechanism of currency swap.
- " 8. Write a note"on Derivative Market in India." Also give yOtlf suggestions in this respect.

