1. Roll No…………………

Total Pages : 03
13537

MBA/M-17
FINANCIAL DERIVATIVES
Paper: MBA-FM-403

Time: Three Hours Maximum Marks: 70

Part-A

Note: Attempt any eight questions carrying 5 marks each.

1. Explain how are future contracts priced?
2. Describe the regulation of future markets in India.
3. Briefly describe essentials of stock index futures.
4. What are Swaps? How is hedging facilitated with swaps?
5. Describe the mechanism of option trading in brief.
6. What are Merton H. Miller's views on derivatives and volatility.
7. What is pull-call parity theorem? Demonstrate it.
8. Show, why a higher variability of stock price has a positive effect on the value of call option.
9. What is a Vertical spread? Show its pay-off and profit function.
10. Describe and differentiate between short hedge and long hedge.

Part-B

Note: Attempt any three questions.

11. What is financial future contracting? Describe its growth and challenges in Indian financial markets.
12. State and differentiate trading mechanism for future and forward markets. How is trading mood is ascertained through this kind of trading on bourses? Explain.
13. Write a comprehensive note on the stock option pricing models.

14. The shares of Omega Company which is not expected to pay dividend in the near future is currently selling for Rs. 150.The risk free interest rate is 0.8% per month. A 3 month future contract is selling for Rs. 152. Develop an arbitrage strategy and show what your profit will be 3 months hence.

15. A stock is currently selling for Rs. 60. The call option on the stock exercisable in a year from now at an exercise price of Rs. 55 is currently selling for Rs.15. The rislk –free interest rate is 12 percent. If it can fall by 30 per cent in a year, using Binomial model determine by what percent can it rise?