

MMS/M06

7458

Financial Derivatives

Paper-FM-404

Time: Three Hours]

[Maximum Marks: 70

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

Rest four questions can be attempted from other seven questions. All the questions carry equal marks.

1. Answer in 80 words app.
  - (i) What is derivative security?
  - (ii) Distinguish between spreader and arbitraguer.
  - (iii) What is cross hedging?
  - (iv) What is swaption?
  - (v) Explain the term stock option price.
  - (vi) Distinguish between swap rate and outright sale in forward trading.
  - (vii) Explain the time value of an option contract.Critically examine with suitable examples various theories of futures prices.
3. Explain the term 'Swap'. What are its features and types? Explain with imaginary data the trading mechanism of inter rate swap through the swap dealer.
4. Write short notes on the following:
  - (i) Features of a forward contract.
  - (ii) Designing of hedging strategyWhat do you mean by option trading? What are the terms used in option trading? Also explain Binomial model with examples in brief.
5. Explain the important trading strategies with options with suitable data and diagrams.
6. Explain the trading mechanism of currency futures contract. How is it different from forward currency trading? What is its status in India? Explain.
7. Write a note on Derivatives Market in India along with recent developments.

