

**BIRLA INSTITUTE OF TECHNOLOGY, MESRA, RANCHI  
(END SEMESTER EXAMINATION)**

**CLASS: MBA  
BRANCH: MBA**

**SEMESTER : IV  
SESSION : SP/19**

**SUBJECT: MBA3011 MGT. OF FINANCIAL DERIVATIVES**

**TIME: 3 Hours**

**FULL MARKS: 60**

**INSTRUCTIONS:**

1. The question paper contains 7 questions each of 12 marks and total 84 marks.
  2. Candidates may attempt any 5 questions maximum of 60 marks.
  3. The missing data, if any, may be assumed suitably.
  4. Before attempting the question paper, be sure that you have got the correct question paper.
  5. Tables/Data hand book/Graph paper etc. to be supplied to the candidates in the examination hall.
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- Q.1(a) What is the significance of Asset price fluctuation for derivatives? [6]  
Q.1(b) Discuss the feature of future contract. [6]
- Q.2(a) What credit risk is associated with forward contract? Discuss. [6]  
Q.2(b) The interest rate in India and USA are 14% and 8% respectively. The Dollar - Rupees exchange rates are Rs. 45 /USD (Spot Rate) and Rs. 46 / USD (90-day forward rate). Examine whether there is any arbitrage opportunity. If so, outline the process. [6]
- Q.3(a) What feature provide liquidity to future contract? [6]  
Q.3(b) The current market price of REL. IND. Is Rs. 900. Annual interest rate for borrowing and lending is 10%. Transaction for share trading averages to 0.5% of the transaction amount. For the Stock future contract on reliance industries expiring in three months calculate : [6]  
(a) No arbitrage future price in perfect market.  
(b) No arbitrage bounce for future price when transaction cost taking into consideration.
- Q.4(a) Discuss the profit and loss accruing to the buyer and seller of call option. [6]  
Q.4(b) When is the put option out of money? Give example. [6]
- Q.5(a) "Financial Swaps are not funding instruments; they are assets liabilities management tool." [6]  
Explain.  
Q.5(b) Describe the steps involved in currency swap. [6]
- Q.6 A speculator acts in anticipation of the future movement in share prices. Explain with example. [12]
- Q.7(a) What are the various guidelines provided by SEBI for derivative trading in India? [6]  
Q.7(b) Write short notes on any two : [6]  
(i) Lot size  
(ii) Tick size  
(iii) Expiration date

:::29/04/2019 E:::