

CLASS: MBA

SEMESTER: IV

BRANCH: MBA

SESSION: SP/22

SUBJECT: MT 509 Management of Financial Derivatives

TIME: 2 Hr.

FULL MARKS: 50

INSTRUCTIONS:

1. Attempt all questions.
2. The missing data, if any, may be assumed suitably.
3. Before attempting the question paper, be sure that you have got the correct question paper.

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Q1. Define derivative. Discuss classification of derivatives based on the nature of underlying assets. (5)

Q2. The upward and downward movements in asset prices have a negative as well as a positive result explain briefly. (5)

Q3. What is credit risk associated with forward contract? (5)

Q4. Explain how currency forwards can be used to hedge the risk in foreign exchange deals? (5)

Or

The price of Reliance at NSE is ruling at Rs. 1980. Risk free borrowing rate in the market is 10% p a . If a 6 month forward contract for delivery of 100 shares is available at Rs. 2,100, can you take advantage of the situation.

Q5. How does future contract different from a forward contract? (5)

Q6. Write short notes on: - (5)

- 1 Long position in future contract
- 2 Short position

Or

The spot price of TCS on October 2010 at Mumbai was ₹1070 at NSE. The future price on 1st October 2010 of TCS future contract expiring in December 2010 was ₹1081. The interest rate prevailing in the market was 9% examine whether there is any opportunity for arbitrage if so, describe the steps.

Q7. Distinguish between European style options and American style options. (5)

Q8. Explain the profit or loss occurring to a call option writer with suitable example (5)

Q9. What is currency swap. (5)

Q10. How interest rate swaps can be used to reduce interest cost? (5)

