Registration No. :

Total number of printed pages – 2

MBA

MGT 404 B

Fourth Semester Regular Examination – 2015

FINANCIAL DERIVATIVE

BRANCH : MBAR

QUESTION CODE : J 341

Full Marks – 70

Time : 3 Hours

*Answer Question No. 1 which is compulsory and any **five** from the rest.*

The figures in the right-hand margin indicate marks.

1. Answer the following questions : 2×10

   (a) What do you mean by future contracts ?

   (b) What are the different types of Options ? Differentiate between them.

   (c) What do you mean by OTC trading ? How are OTC traded products different from exchange traded products ?

   (d) What do you mean by daily settlement ? What are different types of margin ?

   (e) Explain different types of swaps.

   (f) What is bull and bear spread ?

   (g) Explain covered and naked call writing.

   (h) How are commodity derivatives different from stock derivatives ?

   (i) Differentiate between future and forwards contracts.

   (j) Explain American and European options.

2. What is the mechanism of forward contract trading ? Explain features, advantages and disadvantages of forwards and future contracts. 10

3. How does derivatives market work ? Who are the major players in derivatives market ? Explain their role in d trading. 10

4. Write short notes on any **two** of the following : 5×2

   (a) Put Call Parity

   (b) Options Greeks

   (c) Moneyness of Options.

5. Describe in detail Black Scholes model of option pricing, Stating its features, use, advantages and limitations. 10

   Calculate the value of call option using following details :

   Stock Price – Rs.30

   Excise Price – Rs 25

   Risk free interest rate – 12% p.a

   Variance – 0.16

   Time period – 3 months

6. Find out the payoffs under following circumstances when market price ranges from Rs.117-140 : 2.4×4

   (a) buying a call

   (b) selling a call

   (c) buying a put

   (d) Selling a put.

   Asset price today – Rs 120

   Strike price – Rs 125

   Premium – Rs 4

7. Derivatives are best risk management tools but not in the reach of common investor. Discuss the statement in lieu of general features n criticism of derivatives. 10

8. What is binomial model of option pricing ? Calculate the value of a two year call option with strike price Rs 105, stock price Rs100 ,Risk free interest rate is 8%p.a and prices can move up by 10% and down by 5%. 10
