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Code No: BA1926

GEC-R14

MBA IV Semester Regular/Supple. Examinations, May 2017

**FINANCIAL DERIVATIVES**

(Master of Business Administration)

Time : 3 Hours

Max. Marks : 60

**Note: Answer All Sections of Questions.****All Questions from Section- A are to be answered at one place.****SECTION-A****6 × 2 = 12M**

1. Explain about Index Futures?
2. What are Convertibles?
3. Define Hedging?
4. What is Strangle?
5. Define the term Open Interest?
6. Explain the term Long Straddle?

**SECTION-B****3 × 12 = 36M**

1. a) Explain the term 'financial derivative'. What are its important features?  
Explain with suitable examples.

**(OR)**

- b) Clearly bring out the need of derivatives market in India with suitable arguments in favour and discuss various characteristic features of futures contracts.
2. a) Discuss various characteristic features of futures contracts. What is the role of clearing corporation in trading of such contracts?

**(OR)**

- b) Explain the various strategies involving stock options.
3. a) What are the various causes of volatility in stock prices? Explain lognormal property.

**(OR)**

- b) Explain in detail, the concept of Credit Derivatives and their applicability in the Indian context.

## SECTION-C

1 × 12 = 12M

### CASE STUDY

From the following information calculate the option value of A and B

		A	B
Option	=	14.22	10.26
Stock	=	Rs.80	Rs.80
Exercise price	=	Rs.60	Rs.80
Time to expiration	=	3 months	3 months
Risk-free return	=	12% p.a	12% p.a
Expected dividend	=	0	0
Standard deviation of			
Stock returns	=	60%	60%