E. No. ....

JamiaHamdard University, New Delhi

Department of Management

Semester End Examination

MBA-IV Semester [2022]

Course Name: Financial Derivatives — Max Marks: 75

Course Code: MBA-GE-FM-07 — Time: 03:00 Hr

Instructions:

1. Attempt only five questions.
2. Students are allowed to use scientific calculator.

Q1: (a) Explain the definition of derivative on the basis of SCRA (Act) 1956 [05]
(b) Give short overview of various derivative products popular in India and outside India. [05]
(c) What is the basic difference between European and American Options contact? [05]

Q2: (a) Suppose interest rate in India and the USA are respectively 10% and 7%. The spot rate is Rs.76/US$. What is the 60 days forward rate can be? [05]
(b) What do you mean by Covered Interest Arbitrage? Explain with the help of suitable example. [10]

Q3: (a) What do you mean by Index number? Explain the use of Index in derivative market. [08]
(b) Explain the working mechanism of future contract with example. [07]

Q4: (a) Anand is bullish about the index. Spot Nifty stands at 2200; he decided to buy one –three month Nifty Call Option contract with a strike of 2260 at a premium of Rs. 15 per call. Three month later, the Index closes at 2295. What is the payoff on this position? (Where: lot size of options is 100) [05]
(b)What do you understand by underlying asset? Explain with example. [05]
(c) Define implied volatility in derivative market. [05]

Q5: (a) Calculate the value of option on the basis of two step binomial tree. In which stock price of option is Rs. 1000 and it goes up and down on the basis of 20% of stock price of option. Life of option is of three months and risk free interest rate is about 10%, during the life of option small change in time will be calculated as one. [10]
(b) What do you mean by convertible debenture? [05]

Q6: (a) Explain different type of Swaps contract with suitable example. [10]
(b) Define the relationship betweenΔ, θ and γ. [05]

Q7: (a) What are the three golden rules for warrants?How it is useful for investor in derivative market? [10]
(b) The security ABC ltd. trades in the spot market at Rs. 1150 money can be invested at 11% per annum. Calculate the fair value of one month future contract of ABC ltd as per cost-of-carry logic [05]

Q8: (a) Why derivate market have LOT size? Explain. [05]
(b)How traders can use delta for hedging their risk? [05]
(c) When should someone trade in derivative market? Explain your view in this direction. [05]

****