SIDDHARTH INSTITUTE OF ENGINEERING & TECHNOLOGY:: PUTTUR
(AUTONOMOUS)
MBA II Year II Semester Regular& Supplementary Examinations May/June-2024
FINANCIAL DERIVATIVES

Time: 3 Hours　　　　　　　　　　　　　　　　　　　　**Max. Marks: 60**

SECTION – A
(Answer all Five Units 5 x 10 = 50 Marks)

UNIT-I

1	llustrate carefully difference between hedging, speculation and arbitrage in the context of financial.	CO1	L2	10M

OR

2	Explain the different types of financial derivative along with their features in brief.	CO1	L2	10M

UNIT-II

3	Explain the structure of forward and future market.	CO2	L2	10M

OR

4	Consider a six month forwards contract on a security where 4 percent per annum continuous dividend is expected. The risk free rate of interest is 10 percent per annum.The assets current price is Rs 25. Then we can calculate the forward price.	CO2	L5	10M

UNIT-III

5	Differentiate between call and put options. What are the rights and obligations of the holders of long and short positions in them?	CO3	L3	10M

OR

6	If the spot price of a stock is Rs 60/- and strike price is Rs 68/-. Risk free rate of interest is 10% pa and standard deviation of stock is 40%. Expiration date is 3 months and option type is European option. Calculate the value of call option as per Black-Scholes model.	CO3	L4	10M

UNIT-IV

7	Describe the strategies for hedging with options? Explain the concept of straddle and strangle.	CO4	L2	10M

OR

8	"The ultimate economic functions of financial derivatives is to provide means of risk reduction".comment upon the statement with comparison of hedging with options with other financial derivatives intruments.	CO4	L3	10M

UNIT-V

9	How do you relate interest rate swaps with currency swaps and how do you Price them?	CO5	L3	10M

OR

10	What is currency swap? Explain its features and also show the three step flow of currency swaps with examples.	CO5	L2	10M

SECTION – B
(Compulsory Question)

11　　　　　　　　　　　　　　　　　　　　　　　　　**1 x 10 = 10 Marks**

S=90, Standard deviation =25%, r=10%,K=80,t=1 year. Calculate value of call option as per Binomial option pricing model.

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