

**PARUL UNIVERSITY**  
**FACULTY OF MANAGEMENT**  
**MBA, Summer 2018 - 19 Examination**

**Semester: 4**  
**Subject Code: 06201251**  
**Subject Name: Financial Derivatives**

**Date: 22/04/2019**  
**Time: 10:30am to 1:00pm**  
**Total Marks: 60**

## Instructions

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.
4. Start new question on new page.

**Q.1 Do as Directed.**

**A). Multiple choice type questions/Fill in the blanks. (Each of 1 mark)**

**(05)**

1. Which of the following is type of financial derivative?
  - a) SWAP
  - b) Option
  - c) None from a & b
  - d) Both a and b
2. Cost of Carry for future contract does not include
  - a) Interest Rate
  - b) Carrying Cost
  - c) Salvage Value
  - d) Spot Price
3. Which of the following are not participant of Derivative Market
  - a) Speculator
  - b) Investor
  - c) Hedger
  - d) Arbitrager
4. Which of the following is the first exchange in India who have started trading in derivatives
  - a) Bombay Stock Exchange (BSE)
  - b) National Stock Exchange (NSE)
  - c) Multi Commodity Exchange (MCX)
  - d) Indian Stock Exchange (ISE)
- 5 Which of the following derivative instrument is not available for trading via stock exchange
  - a) Index Future
  - b) Index Call Option
  - c) Index Put Option
  - d) Index Forward

**B). Define the following. (Each of 1 mark)**

**(05)**

1. Interest Rate Derivative
2. Currency SWAP
3. Hedging
4. Mark to Market (M2M) in Future Contract
5. Margin Money in future contract

**C). Direct questions. (Each of 1 mark)**

**(05)**

1. What is call Option?
2. What is Put Option?
3. What do you mean by In the Money (ITM) option contract?
4. What do you mean by Intrinsic Value of option?
5. What do you mean by Time Value of option?

**Q.2 Answer the following questions.**

**A).** State difference between forward and future contract

**(07)**

**B).** Explain factors affecting option price (premium)

(08)

**Q.3 Answer the following questions.**

**A).** Explain the functions of derivative markets.

**(07)**

**B).** Write a note on global and Indian scenario of derivative market.

(08)

**Q.4 Attempt any two questions. (Each of 7.5 mark)**

(15)

1. Explain Butterfly strategy and its pay off with example and graphs
2. Explain Call and Put Option Payoff with example and graphs
3. Explain hedging strategy for importers and exporter using currency future with example.
4. Write a note on black and scholes model for option valuation