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**M. B. A. (Third Semester) Examination,**

**Nov.-Dec. 2021**

**(New Scheme)**

**(Specialization : Finance Management)**

**(Management Branch)**

**FUTURES and OPTIONS**

**Time Allowed : Three hours**

**Maximum Marks : 80**

**Minimum Pass Marks : 32**

**Note :** Solve any two questions out of three in each unit. Scientific calculator is allowed.

**Unit-I**

1. (a) Describe the role of National Stock Exchange of India (N.S.E.) in the growth of derivative market in India.

8

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- (b) Give an example each on : 8
- (i) Long Hedge using forward
  - (ii) Short Hedge using forward
- (c) Comment on the following : 8
- (i) Credit Risk in forward contract
  - (ii) Currency Forward contract

### Unit-II

2. (a) An Investor deposits Rs. 10,000 in a Bank. The rate quoted by Bank is 10% per annum calculate the amount receivable by Investor after 2 year. If bank do : 8
- (i) Annual compounding
  - (ii) Semi annual compounding
  - (iii) Compounding quarterly
- (b) Suppose you enter into a short future contract to sell July silver for \$ 5.20/ounce on New York commodity exchange. The size of the contract is 5,000 ounce. The initial margin is \$ 4,000 and the maintenance margin is \$ 3,000. What change in price will lead to margin call? What happens if you don't meet the margin. 8

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- (c) Differentiate between forward and future contract. 8

### Unit-III

3. (a) What do you mean by short selling. Differentiate between Investment asset and consumption asset. 8
- (b) Suppose that you enter in to a six month forward contract on non-dividend paying stock when the stock price is \$30 and risk free interest rate with continuous compounding is 12% per annum. What is ideal forward price. 8
- (c) Under what circumstances (a) Short Hedge (b) Long Hedge is applicable explain by giving example. 8

### Unit-IV

4. (a) What is call option and put option. Draw the Payoff diagram of (a) Long call position (b) Long put position. 8
- (b) The profit potential of the owner of call option is limitless and the loss is limited. Explain and illustrate. 8
- (c) Write short notes on : 8
- (i) American Style Option
  - (ii) Time value of Option
  - (iii) Strike price of option

(iv) Euro pean style option

### Unit-V

5. (a) An investor sells a European call on a share for \$ 4. The stock price is \$ 47 and the strike price is \$ 50. Under what circumstances would the investor makes profit. Under what circumstances will the option be exercised. 8
- (b) If a person buy a European call at Rs. 50 for one month expiry if the initial stock price is 40 and strike price is 20. Find the intrinsic value of option also calculate time value of option. 8
- (c) Write short note on : 8
- (i) Caps collors and floor
  - (ii) Credit derivatives