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

Nov.-Dec. 2020

(New Scheme)

(Specialization : Finance Management)

(Management Branch)

FUTURES and OPTIONS

Time Allowed : Three hours

Maximum Marks : 80

Minimum Pass Marks : 32

Note : Attempt any two from each unit. All question carry equal marks.

Unit-I

1. (a) Explain how forward contract can be used to hedge the risk in price of agricultural commodity. Explain with example.

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- (b) What are financial derivatives. Comment on the growth of derivative market in India.
- (c) Discuss the advantages and disadvantages of forward contract.

Unit-II

- 2. (a) What is "Margin System" in futures trading? Explain different types of margin with example.
- (b) Write short note on :
 - (i) Settlement of futures contract
 - (ii) Open interest
- (c) Describe various characteristics of stock futures traded in N.S.E.

Unit-III

- 3. (a) Explain Hedgers, Speculators and Arbitragours in futures contract trading.
- (b) A trader enters into a short futures contract when the future price is 5 Rs/kg. The contract is for the delivery of 50,000 kg of cotton. How much the trader lose if the cotton future price at the end of the contract is :
 - (i) 4.90 Rs/kg

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- (ii) 5.75 Rs/kg
- (c) Write short notes on :
 - (i) Short selling
 - (ii) Index futures

Unit-IV

- 4. (a) Draw and explain profit diagram of trader who has following position :
 - (i) Short call position
 - (ii) Short put position
- (b) Explain the following concept of option trading :
 - (i) At the money option
 - (ii) European option
 - (iii) Option premium
 - (iv) Exercising the option
- (c) What is Put option? Explain the intrinsic value and time value of put option.

Unit-V

- 5. (a) Explain credit default swap with example.
- (b) What are interest rate derivatives? Explain caps, collars and floors.

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(c) Discuss how credit derivatives were responsible for housing bubbled crash of 2009-10.