



Paper ID : 250409

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Subject Code: KMBIFM07

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MBAINT
(SEM X) THEORY EXAMINATION 2024-25
FINANCIAL DERIVATIVES

TIME: 3 HRS

M.MARKS: 100

Note: Attempt all Sections. In case of any missing data; choose suitably.**SECTION A****1. Attempt all questions in brief.****2 x 10 = 20**

| Q no. | Question |
|-------|---|
| a. | What is a derivative? |
| b. | Name three types of derivatives. |
| c. | What is a forward contract? |
| d. | State one difference between a futures contract and a forward contract. |
| e. | Explain the Black-Scholes option pricing model. |
| f. | Give an example of a commodity traded in a derivatives exchange in India. |
| g. | What is a financial swap? |
| h. | What is a Forward Rate Agreement (FRA)? |
| i. | What are the three uses of commodity derivatives? |
| j. | What is an option? |

SECTION B**2. Attempt any three of the following:****10 x 3 = 30**

| | |
|----|---|
| a. | Differentiate between forward, futures, and options markets. |
| b. | Discuss how currency futures can be used for hedging, speculation, and arbitrage. |
| c. | Discuss the general principles of option pricing. |
| d. | Describe the index options market in the Indian stock market, and explain how different option strategies can mitigate risk |
| e. | Explain the different types of swaps. How can interest rate exposure be managed using interest rate swaps and currency swaps? |

SECTION C**3. Attempt any one part of the following:****10 x 1 = 10**

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|----|---|
| a. | Describe the essential features of derivatives. How do these features make derivatives useful for various financial activities? |
| b. | Explain how hedging is achieved using forward contracts with suitable examples. |

4. Attempt any one part of the following:**10 x 1 = 10**

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| a. | Discuss the different types and functions of futures contracts. |
| b. | Discuss the principles involved in pricing futures contracts, including the Cost of Carry Model. |

5. Attempt any one part of the following:**10 x 1 = 10**

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|----|--|
| a. | Explain the Black-Scholes option pricing model. |
| b. | Discuss how index options are used in hedging, speculation, and arbitrage. |

6. Attempt any one part of the following:**10 x 1 = 10**

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|----|--|
| a. | Discuss the history of commodity trading. |
| b. | Who are the key participants in commodity derivative markets? Explain the roles and functions of different participants. |

7. Attempt any one part of the following:**10 x 1 = 10**

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|----|--|
| a. | How are Forward Rate Agreements used in financial markets? |
| b. | Differentiate between derivatives and swaps with examples. |