

Roll No. ....

**Subject Code—8197-X**

**M.B.A. EXAMINATION**

(Fourth Semester)

(Re-appear Prior to Batch 2009)

FM-407

**FINANCIAL DERIVATIVE**

*Time : 3 Hours*

*Maximum Marks : 100*

**Section A**

**Note :** Attempt any *Seven* questions. **7×7=49**

1. Under what circumstances are a short hedge and a long hedge appropriate ? Explain.
2. What is basis risks and why is it fundamental to evaluating a hedging strategy.
3. Explain the features of Stock Index Futures.

4. Discuss the duration based hedging strategies with suitable examples.
5. What is Guaranteed Exchange Rate ?
6. Bring out the important features of Financial futures contracting.
7. How do commodity and financial futures differ from each other ?
8. Explain how a trader closes its futures market position.
9. How will you determine the futures prices of specific futures products ? Explain.
10. What are the needs of financial derivatives market in India ?

### Section B

**Note :** Attempt all the questions. **3×17=51**

11. "Derivatives are considered as risk management tools used by organizations/investors/individuals." Comment.

*Or*

Explain the importance of futures markets in context to economic growth of a country.

12. What are the assumptions of Binomial Pricing Model ? Also discuss one-step Binomial Pricing Model with hypothetical examples.

*Or*

Discuss the various applications of Black-Scholes Option Pricing Model with examples.

13. What are the recent trends of financial derivative in India with special reference to International Finance ?

*Or*

Compare and contrast between currency forward and futures contracts. Which one is better for a trader and why ?