M.B.A.(with Credits)-Regular-Semester 2012 Sem III

MBA236B - Risk Management And Derivatives

P. Pages : 1 **GUG/W/16/3023**

Time : Three Hours Max. Marks : 70

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Notes : 1. Attempt **any five** questions.
2. All questions carry equal marks.

1. What is stock Index? Explain economic significance of Index movements. **14**

2. Explain futures and options market Instruments. **14**

3. What is Derivative market? Discuss economic function of the derivative market. **14**

4. Which trading strategies used for options? **14**

5. Discuss the terminologies used in the futures market. **14**

6. Explain risk management practices in India. **14**

7. Define swaps. Explain the types of swaps. **14**

8. An Investor buy a BPCL December option at Rs.10 (Premium) with a strike price of Rs.210 and sell a BPCL December option at Rs.5 (Premium) with a strike price of Rs.220. You have paid premium of Rs.10 and collected the premium of Rs.5. Hence, your immediate loss is Rs. 5. What is your pay. off if the BPCL share price turns out to be Rs.250 at the expiration date? **14**

9. A wheat producing farmer in order to protect himself from price fluctuations sells is futures contracts of 5000 bushels each at a rate of Rs.9 per bushel. At the time of harvest which is five months from now, the basis is – 0.15 and the price of wheat per bushel is Rs.9.50. Did the farmer gain or Loose and by what amount? **14**

10. An Indian customer who has imported equipment from Germany has approached its bank for booking a forward Euro contract. The delivery is expected sometime during the next six months. The following rates are being quoted. **14**

∈ / $	Spot	0.7940 / 0.8007
	Three month forward	30 / 29
	Six month forward	59 / 58
₹ / $	Spot	45.30 / 45.45
	Three month forward	15 / 25
	Six month forward	20 / 30

What rate will the bank Goode if it needs a margin of 0.5%?

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