REV-01
MBA/07/12

2024/07

SET A

MASTER OF BUSINESS ADMINISTRATION
FOURTH SEMESTER [SPECIAL REPEAT]
FINANCIAL DERIVATIVES AND RISK MANAGEMENT
MBA - 404C
[USE OMR SHEET FOR OBJECTIVE PART]

Duration: 3 hrs. **Full Marks: 70**

Objective

Time: 30 mins. **Marks: 20**

Choose the correct answer from the following: ***1×20=20***

1. Financial Derivatives include:
   a. Stocks
   b. Bonds
   c. Futures
   d. None of These

2. The markets in which derivatives are trade is known as:
   a. Asset backed market
   b. Mortgage market
   c. Cash market
   d. Derivative market

3. The contract where buyer and seller agrees to exchange asset on future date without the involvement of stock exchange:
   a. Options
   b. Futures
   c. Forwards
   d. Swaps

4. The contract which gives the buyer the right but not obligation:
   a. Options
   b. Futures
   c. Swaps
   d. Forwards

5. Market players who take benefits from difference in market prices are called…………..
   a. Speculators
   b. Arbitrageurs
   c. Hedgers
   d. Spreaders

6. Identify the true statement.
   …………..contracts are not standardized?
   a) Futures
   b) Forwards
   c) Options
   d) Swaps

   a. Both b. and d
   b. Both a and b
   c. Both c and d
   d. Both b and c

7. If a farmer buys a corn option on futures:
   a. The farmer has the right to deliver the corn, and will do so only if the price is favourable
   b. The farmer must accept a corn futures contract, not take physical possession of the corn
   c. The farmer must deliver the corn at a fixed price
   d. The farmer must deliver the corn at a market price

8. Which of the following is false?
   a. Future contracts allow fewer delivery options than forward contracts
   b. Future contracts are more liquid than forward contracts
   c. Future contracts are marked to market
   d. Future contracts trade on a financial exchange

9. The basis is defined as.............
   a. Spot price minus forward Price
   b. Future price minus forward price
   c. Forward price minus spot price
   d. Spot price minus futures price

10. Which of the following has the right to sell an asset at a predetermined price?
    a. A call buyer
    b. A put buyer
    c. A call writer
    d. A put writer

11. In which year, foreign currency futures based on new floating exchange rate systemwere introduced at the Chicago Mercantile Exchange?
    a. 1970
    b. 1975
    c. 1972
    d. 1974

12. The markets where the transactions are done through computers, and telephones, without any specific location, are known as.............
    a. Over the counter markets
    b. Capital counter markets
    c. Past counter markets
    d. Future counter markets

13. According to Black Scholes model, purchaser can borrow fraction of security at risk free interest rate which is?
    a. Short term
    b. Long term
    c. Transaction cost
    d. No transaction cost

14. What is the primary purpose of an interest rate swap?
    a. To exchange principal amounts
    b. To exchange interest rate cash flows
    c. To buy and sell stocks
    d. To speculate on currency markets

15. BSE Sensex index consist of:
    a. 20 stocks
    b. 40 stocks
    c. 30 stocks
    d. 150 stocks

16. Which of the following statement is true?
    a. NSE established in 1875 as the "Native Share and Stock Brokers' Association" and is one of the oldest stock exchanges in Asia.
    b. BSE is the first exchange that was introduced to enhance trading facilities in electronic form in India.
    c. Created in 1986, the Sensex is the oldest stock index reflecting India's markets and is operated by Standard & Poor's (S&P).
    d. None of the above

17. Which of the following statements is incorrect about the Securities Exchange Board of India (SEBI)?
   a. It is a statutory body
   b. It was given statutory powers by an ordinance in 1992
   c. It is a non-statutory body
   d. None of the above

18. The headquarters of the National Stock Exchange is situated in.............
   a. Mumbai
   b. Kolkata
   c. Chennai
   d. Delhi

19. A contract that confers the right to buy or sell foreign currency at a specified price at some future date.
   a. Currency forwards
   b. Currency futures
   c. Currency options
   d. Currency Swaps

20. When was NIFTY (National Stock Exchange Fifty) established?
   a. 1992
   b. 1998
   c. 1996
   d. 1994

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Descriptive

Time : 2 Hr. 30 Mins. **Marks : 50**

[Answer question no.1 & any four (4) from the rest]

1. a) What is Derivative contract? Explain the utility of Financial Derivative. 5+5=10
   b) Discuss the advantages and disadvantages of derivatives markets.

2. Write a note on Derivative instruments traded in India. 10

3. a) Write the Comparison between future and forward contract. 5+5=10
   b) Elucidate with example the different players of future market.

4. Discuss the features of forward market. Explain the Forward contract payoff in India. 10

5. a) Critically explain the concept of Swap Contract. 5+5=10
   b) Discuss in details the different types of order.

6. Write the advantages of option contract. Discuss in details the different categories of option contract. 10

7. Critically explain the concept of Black-Scholes model 10

8. a) Define Stock market indices. Explain the types of stock market indices. 5+5=10
   b) Elaborate the history of stock future index.

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