Code No.: **4B132** **MR14**

MALLA REDDY ENGINEERING COLLEGE (AUTONOMOUS)

(Affiliated to JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD)
Gundlapochampally (H), Maisammaguda (V), Medchal (M), Medchal-Malkajgiri (Dist), Hyderabad

MBA IV SEMESTER SUPPLEMENTARY EXAMINATIONS, DECEMBER-2018

Subject: **Banking and Insurance**

Time: 3 hours **Max. Marks: 60**

PART – A

Answer the following question **1x 20 Mark=20 Marks**

1. Critically appraise the different banking sector reforms that have been implemented till date.

PART-B

Answer any 5 questions of the following **5x 8 Marks= 40 Marks**

1. Explain general principles which should guide a banker in making advances to a customer.

2. What is Features of Bank Credit? Discuss on different types of loans and its features.

3. Enumerate importance of Economic model and regulation of bank capital.

4. Write a brief on Principles, Characteristics, and functions of Insurance Industry.

5. Discuss on Types of life Insurance and importance of General Insurance.

6. Distinguish between Indian Bank and Foreign Bank.

7. What are the objectives towards liberalization of Indian insurance industry? How has it contributed towards development of insurance industry in India?

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MBA IV SEMESTER SUPPLEMENTARY EXAMINATIONS, DECEMBER-2018

Subject: **Derivatives**

Time: 3 hours **Max. Marks: 60**

PART – A

Answer the following question **1x 20 marks = 20 marks**

Q1. The case study "Interest rate Swaps: A deal between B.F. Goodrich and Rabobank", discuses the first ever interest rate swap deal between two corporate – B.F. Goodrich and Robobank'. The case study explains how Goodrich encountered financial problems at the beginning of the 1980s. After suffering a net loss of US$ 33 million, the company decided to borrow US$ 50 million as a long term loan. However, with a deteriorating financial position and a BBB – rating, it was impossible for the company to get a long-term loan at favorable rates. Salomon Brothers (Salomon), an investment banker, suggested to Goodrich that it issue floating rate notes and then swap them with fixed rate financing.

At the same time, one of the leading European banks – Rabobank – wanted to borrow the same amount in fixed rate Eurobonds. Salomon approached Rabobank and at last the bank agreed to the swap deal in principle. However, the bank voiced its concern over Goodrich's low rating, which could expose the bank to a credit risk. It was at this juncture that Morgan Guaranty Bank (Morgan) came into picture. Morgan acted as a swao dealer between Goodrich and Rabobank and executed two swap deals, one each with Goodrich and Rabobank for a one time initial fee and annual for 8 years. Morgan undertook to guarantee of payment in case of default by any party. At last, the swap deal was executed successfully.

1. Explain the mechanism of interest rate swaps in the special context of the first interest rate swap deal between two corporate – Goodrich and Rabobank.
2. Explain the advantages of interest rate swap deals.

PART-B

Answer any 5 questions of the following **5x 8 Marks= 40 Marks**

1.	Explain the role of Derivatives in Contemporary Scenario.	[8M]
2.	What is hedging? And explain different types of hedging.	[8M]
3.	A) What are the factors determining option pricing?	[4M]
	B) Explain the procedure of pricing of call options.	[4M]
4.	Narrate different types of interest rate futures.	[8M]
5.	Explain the role and importance of NCDEX in commodity market.	[8M]
6.	Explain the structure, uses and misuses of derivatives.	[8M]
7.	How the binomial options model provides a generalizable numerical method for the valuation of options?	[8M]