

**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-2017**SUBJECT: Derivatives

Time: 3 hours

Max. Marks: 60

**PART – A**

Answer All Questions

1x 20Marks=20 Marks

- A. Briefly explain fundamentals of option prices?
- B. The spot price of the asset is Rs.100 and the strike price of the stock is Rs.105 and an annual volatility of 25%. Assuming 5% risk free interest rate; price the option in three time steps?

**PART-B**

Answer any five of the following questions

5 x 8 Marks= 40 Marks

1. What are different forms of Financial derivatives. Explain their features in brief?
2. Discuss the characteristics of future contracts .What is the role of clearing corporation in trading of future contracts.?
3. Explain briefly about different option pricing models?
4. a) Explain currency options with Bullish, Bearish and Neutral strategies.?  
b) What are Options? Discuss its characteristics features.
5. a) Explain the role and functions of NCDEX in trading settlement procedure.  
b) What are Swaps? And explain its types.
6. What do you mean by Hedging? Explain basic features of Hedging.
7. what will be the value swap for the pay fixed party in the above question, if after one year the term structure has changed as follows

12 months	24months	36months
5.25%	6.25%	7.25%