

**J.B. INSTITUTE OF ENGINEERING AND TECHNOLOGY**  
**UGC AUTONOMOUS**

II M TECH/MBA/MCA II Semester Regular & Supply Examinations, SEPT. -2020

**FINANCIAL DERIVATIVES**

**Time: 2 Hours**

**Max. Marks:70**

*Answer any five of the following questions*

	Bloom's Level	
1. a) Explain the term 'financial derivative'. What are its important features?	L2	7 M
b) "Derivatives are considered as most important tools used by organization to hedge their risks." Comment on this statement with suggestions.		7 M
2. a) Discuss the recent trends of financial derivative in India with special reference to international finance.	L1	7 M
b) How Financial derivatives help to hedge the risk in financial transactions?		7 M
3. a) Compare and contrast between forward contracts and futures contracts	L2	7 M
b) Explain about classification of forward contracts with examples.		7 M
4. a) What is a financial futures contract? Discuss the growth of financial futures with examples.	L2	7 M
b) Discuss the types of traders in futures markets with suitable examples.		7 M
5. a) How are options different from forward and futures contracts	L3,	6 M
b) Mr. X believes that the stock price of Andhra Bank will go down. He sells 10 future contracts expiring after 3 months. The lot size of each contract is 400 shares. The short position is taken at a future price of Rs 350 per share calculate the position value.	L4	
Find out the possible gain or loss on the position if after 3 months the spot rate moves to a) 340 Rs. b)360 Rs also draw the payoff diagram for t the contract		8 M
6. a) Distinguish between OTC options and exchange traded options	L2	7 M
b) Distinguish between European style and American style options		7 M
7. a) What are the differences between trade with commodity futures and the cash markets?	L2	7 M
b) What happens exactly during trade on commodity futures exchanges?When will an order be executed?		7 M
8. a) What are the problems in arranging a swap and how are they overcome by swap intermediary/bank?	L3	7 M
b) Explain hedging of fixed rate and floating rate loans using swap.		7 M

## **Guidelines to the Students:**

1. In compliance with the circular from Director Evaluation, JNTUH dated 16-05- 2020, the end examination question paper format is been modified as given in the model paper.
2. The Question paper is for 70 marks.
3. There will be eight questions covering all the five units of syllabus, from which student can answer any five questions.
4. All question carry equal marks. Each question is for 14 marks.
5. Each question may have sub questions.
6. The duration of the Examination is for 2 hours.
7. Question papers are moderated to ensure that student can answer selected five questions in the stipulated time of 2 hours.
8. Students should manage their time properly and ensure that they are answering 5 questions in 120 minutes of time.
9. The eight questions chosen are 2 each from Units I,II, III, and 1 each from Unit-IV and V.