

**MASTER OF BUSINESS ADMINISTRATION  
IN FINANCIAL MARKETS (MBAFM)**

00030 **Term-End Examination**  
**December, 2014**

**MCT-074 : DERIVATIVES**

*Time : 3 hours*

*Maximum Marks : 100*

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*Note : Attempt any **five** questions. All questions carry equal marks.*

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1. What are derivatives ? Explain the differences between Futures and Options. 20
2. What is 'Hedging' ? Discuss the concept of perfect hedge. Explain the hedging process using equity futures and equity index futures. 20
3. What are Options ? Discuss the factors that influence the prices of option on shares. What will be the lower and upper bounds for the price of a call option ? 20
4. Explain any *two* of the following in detail : 20
  - (a) Delta
  - (b) Gamma
  - (c) Theta

5. What is risk ? Discuss the need for risk management in the trading of derivatives. 20
  6. What are credit derivatives ? Explain the applications of credit derivatives. 20
  7. What do you understand by 'Commodity Market' ? Explain the benefits of trading in commodity derivatives. 20
  8. What is 'Cost of Carry' ? Discuss the components of cost of carry and explain the method for pricing commodity futures contract. 20
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