

**EXECUTIVE MASTER OF BUSINESS
ADMINISTRATION (EXMBA)**

00605

Term-End Examination

December, 2013

MCTE-090 : DERIVATIVES

Time : 3 hours

Maximum Marks : 100

Note : Attempt any five questions.

1. Explain critically the difference between hedging, speculation and arbitrage.
2. What is meant by perfect hedge ? Does a perfect hedge always lead to a better outcome than an imported hedge ? Explain.
3. Explain the following :
 - (a) Call Option
 - (b) Put Option
4. Explain the principle of risk neutral valuation.
5. Explain why brokers require margin when clients write option but not when they buy options.
6. Explain the difference between credit risk and the market risk in a financial contract.
7. Write short notes on :
 - (a) Real options
 - (b) Arbitrage
8. Differentiate critically between financial and commodity derivatives.