

00334

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

Term-End Examination

June, 2012

MCTE-090 : DERIVATIVES

Time : 3 hours

Maximum Marks : 100

Note : Attempt any five questions.

All questions carry equal marks.

1. What is a carry-trade ? Examine the characteristics of OTC derivatives that have important implications post-process trading.
2. Illustrate the difference between European and American call option. Why is writing an 'in-the-money put' more risky than writing an out-of-money put ?
3. "Companies with high credit risk are the ones that can not assess the fixed rate market directly. They are the companies that are most likely to be paying fixed and receiving floating in the interest rate swap. "Do you think it increases or decreases the risk of a swap portfolio ?

4. How would you distinguish between the Binomial model and the Black-Scholes option pricing model? What are the underlying assumptions of the Black - Scholes option pricing model and why are they needed?
5. What is a warrant? What factors affect the size of the warrant premium?
6. Explain the difference between a short-term hedge and long-term hedge. When would an investor wish to use short hedge/long hedge?
7. Explain why a future contract can be used for either speculation or hedging? Critically examine the most popular models which can be applied to stock index futures.
8. What is the difference between conversion parity and conversion value? Under what circumstances will convertible securities, in general be likely to face decline in prices?
9. Discuss the commodity futures and the structure of the commodity futures market in India.

10. "Global networking is no longer a mere metaphor for worldwide activities but now describes in very literal terms the advances in information and communication technology which have been a major driving force behind internationalisation in many areas of life, particularly the economy." Within the economic sector, in turn, it is the financial markets that globalization has been particularly dynamic." Comment.
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