

**MASTER OF BUSINESS ADMINISTRATION
(MBAEV)**

Term-End Examination

June, 2013

**MCNE-043 : FINANCIAL DERIVATIVES AND
PORTFOLIO MANAGEMENT**

Time : 3 hours

Maximum Marks : 100

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

1. Describe the various financial derivative instruments traded on organised exchanges in India. How have these contributed to the growth of financial markets in India ? 20
2. How does a 'future contract' differs from a 'forward contract' ? What is the economic rationale for the existence of futures market ? How can a futures contract be used for either speculation or hedging ? 20
3. State the features of 'put' and 'call' options. Illustrate the difference between a 'European' and an 'American' call option. Which of these two is used in India ? 20

4. State the underlying assumptions of the Black and Scholes option pricing model. Briefly explain this model and critically evaluate it. 20
5. What do you mean by 'exotic options' ? What are their features and purpose ? Do you think that such options were responsible for financial crisis in the U.S.A. in last few years ? 20
6. What are 'swaps' and what purpose do these serve ? Explain the credit default swaps with suitable examples. 20
7. What is a 'hedge fund' ? State the functioning of a hedge fund. Why are they termed as 'fly-by-night' operators ? 20
8. Write short notes on **any four** of the following : 20
- (a) Energy Derivatives
 - (b) Structured credit products
 - (c) Accounting for financial derivatives
 - (d) Risk Management through derivatives
 - (e) Commodity derivatives
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