

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

**Term-End Examination**

**June, 2014**

**MCT-074 : DERIVATIVES**

*Time : 3 hours*

*Maximum Marks : 100*

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**Note 1:** Attempt any **(five)** questions. All Questions carry equal marks.

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1. What is derivative? Discuss the different types of derivatives. How Forwards and Futures can be used as hedging instrument? 20
2. What are Options? Discuss the factors affecting the pricing of options. Explain the difference between writing a Call option and buying a put Option. 20
3. In context of option trading strategies explain the following 20
  - (i) Spreads
  - (ii) Straddle
  - (iii) Strangles

4. Explain any two of the following in detail **20**
- (i) Delta
  - (ii) Gamma
  - (iii) Vega
5. What is risk? Discuss some of the techniques to reduce risk exposure. Explain how the futures market can be used to reduce interest rate and input price risk? **20**
6. What are credit derivatives? **20**  
Discuss the features and applications of Credit Default Swaps and Total Return Swap.
7. What is Clearing and Settlement mechanism? **20**  
Discuss the settlement mechanism of future and option contracts.
8. What is 'Cost of Carry.' Discuss the components of cost of carry and explain the method for pricing commodity futures Contracts. **20**

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