

AF-116

April-2023

Int. MBA., Sem.-X

Financial Derivatives

(Finance Specialization)

Time : 2½ Hours]

[Max. Marks : 70

1. Explain the term Financial Derivatives. Discuss each of the following type of traders in a Derivatives market: hedgers, speculators and arbitrageurs. 14

(Answer any two questions from a, b and c) 14

2. (a) Mr. X has a portfolio of ₹ 10,00,000. At present, market index futures are available at 2000 and each futures contract has 50 units. Design a hedging strategy for the portfolio. During the maturity market decreases by 5%. Calculate the net profit/Loss on the portfolio.
- (b) Market price of a share at present is ₹ 930 with transaction cost of 2%. A dividend yield of 5% is expected. Risk free rate of return is 10%. Find out 3 months futures price.
- (c) Discuss various characteristic features of Futures contracts. Bring out the difference between forward and futures contracts.

(Answer any two questions from a, b and c) 14

3. (a) Using the following data, calculate the value of call using Black and Scholes model :
- Spot price of the index : ₹ 120
- Exercise price: ₹ 115
- Risk free rate of return: 10% per annum
- Standard deviation of the continuously compounded rate of return : 0.6
- Time to expiration : 3 months
- (b) An investor buys a put option on one share of Sympton Ltd. at a strike price of ₹ 260 at a premium of ₹ 6 per share. The maturity date is one month from now and buys a share of same in the spot market at ₹ 258 per share. Name the strategy and prepare payoff table.
- (c) Explain a call and put option. What are rights and obligations of a long call holder ?

4. (a) ABC Ltd. wishes to borrow 100 crores for 5 years. There is another company Small Ltd which also require the same amount of money. 14

- (1) ABC Ltd. perceives that interest rates in future are likely to decrease and so wants to borrow at floating rate.
- (2) Small Ltd. perceives that interest rates in future are likely to go up and so wants to borrow at fixed rates. If the saving is to be shared equally, is there a swap opportunity ?

Following rates are offered :

	A Ltd.	Small Ltd.
Fixed rate	14%	15.75%
Floating rate	LIBOR+1.25%	LIBOR+2%

- (b) Explain how an investor can hedge his risk by using interest rate swap. Explain with suitable example.
5. Explain the term risk. What are sources of risk ? Analyse various factors influencing the adoption of a risk management techniques in a large firm. 14

OR

Calculate mark to market margin and pass accounting entries for payment/receipt of mark to mark margin, Equity Index future :

14

Date of purchase	Name of Future contract	Expiry date	Contract price (₹)	No. of Contracts (units)
28-03-2020	EF1	May 2020	1420	100
29-03-2020	EF2	June 2020	4280	50
Settlement price :				
	EF1 May	EF2 June		
28-03-2020	1400	–		
29-03-2020	1420	4300		
30-03-2020	1440	4270		
31-03-2020	1410	4290		

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Retail Management

Time : 2½ Hours]

[Max. Marks : 70

1. (a) Discuss briefly various types of retail format. 7
(b) What are drivers of changing face of retail structures in developing world, particularly India ? 7

2. Read the passage below and answer the followings : 14

Given that the retail setting of Westside is changing, retailers in the area must accommodate their strategy to a new reality. With the emerging online-market, together with the concept of omni-channels and the integration of the physical store with the digital (e.g. showrooms, virtual dressing), retailers need to make sure they keep up with the shifting trends in the business. The opening of Westside is in line with changing shopping behaviour and according to Wahlberg (2016), Unplanned business centre shopping in India is threatened by Regional shopping centres or mall.

- (i) How do Westside decide where to locate their stores ?
- (ii) What factors do they consider most important when they decide about location ?
- (iii) Why do some retailers prefer Regional shopping centres or mall than the Unplanned business centres.

OR

- Read the passage below and answer the followings : 14

Reliance Smart is the lucrative choice for the past, present and future investors with the estimation of terminal value at the end of the fiscal year 2026 estimated US \$580 billion and the fundamental value of US \$736 billion. The result shows that due to the emergence of stronger competitors and for being matured. Reliance Smart is not performing as expected by investors, but its gigantic market size will make it capable of doing business profitably over a longer period of time.

- (i) How Reliance Smart evaluate performance of its different stores in terms of financial planning ?
- (ii) How can comparison with D-Mart generate ideas for improvement of financial planning ?

3. Read the passage below and answer the followings : 14

D-Mart is a one-stop supermarket chain that aims to offer customers a wide range of basic home and personal products under one roof. Each D-Mart store stocks home utility products - including food, toiletries, beauty products, garments, kitchenware, bed and bath linen, home appliances and more - available at competitive prices that customers appreciate. Core objective is to offer customers good products at great value. D-Mart is owned and operated by Avenue Supermarts Ltd. (ASL) - a company founded by Mr. Radhakishan Damani. The Private label brands of D-Mart : D Mart Minimax, D Mart Premia, D Homes, Dutch Harbour, etc are brands owned by ASL along with renowned national brands.

- (i) What are drivers of success of D-mart's Private label brands ?
- (ii) What are motivational factors working behind the Private labels at D-mart ?

OR

- Read the passage below and answer accordingly : 14

Design, atmospherics, ambience, music, colour, location, temperature, window display, parking, flooring, fragrances like elements will have a greater impact on the brand image, brand loyalty, customer experience, positive word-of-mouth, better sales and profits, reputation in the market, more footfalls in the outlet and these are the major environmental factors affecting the actions of the consumer buying aspects. We could also see that retail atmospherics played a big role in national and international outlet scenario with better returns and better future growth in a long run. Retail atmospherics are appreciated in a big way both in tier 1 and tier 2 cities across India; here customers are getting attracted due to the atmospherics, ambience and branded purchases with reasonable cost within their budget and they can still showcase their aesthetics lifestyle aspects among the social group which is also a status symbol for today's customers.

- (i) Explain briefly key components of Atmospherics in the retail context.
- (ii) What are different types of materials and finishes can be used for flooring and wall with proper reasoning ?

4. Read the passage below and answer accordingly : 14

Pricing is a critical decision for the Pizza Hut and influences the effective realization of all other retail marketing goals. Various consumer, supplier, government and competition related factors affect the pricing decisions of the Pizza Hut, who can use various methods for setting retail prices.

- (i) Elaborate different methods of setting Retail Prices available to Pizza Hut.
- (ii) Which method do you think best suited to Pizza Hut ? Why ?

OR

Read the passage below and answer accordingly :

14

Reliance Trend organised retail, which is growing by leaps and bounds in India, need to ensure complete compliance at the store level. Exposed shop layouts which are far more vulnerable to shoplifting. There are TV-monitors, displays scanners in retail shop but it still happens that shoppers and employees go out carrying things without being cleared. Such losses termed as Shrinkage in retail parlance ranges 0.25-2% of total turnover.

- (i) Explain two major causes of Merchandise shrinkage with their effective prevention at Reliance Trend.
- (ii) What are the compliances and laws that a Store manager should be aware of and maintain at Retail Trend ?

5. With more than 200 outlets across India in just 9 years – Tea Post is India’s fastest growing Tea Cafè chain. And with its presence across 40 Indian cities, Tea Post sells more than 2 Million cups of Chai every month. It is spreading in different forms of Franchising across India proving it a viable business option. 14

- (i) Explain types of Franchising available to entrepreneur by Tea post.
 - (ii) “Franchising as a business option for franchisee”. Justify.
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Leadership in Organization

(HR)

Time : 2½ Hours]

[Max. Marks : 70

1. Write and explain the most recognizable attributes of a good and potential leader. Also state the importance of a leader in an organization. 14
2. Elaborate upon the idea of Transactional and Transformational Theory of Leadership Styles. 14

OR

“Leadership Development is the matter of great concern, so he has to perform different roles”- Explain the statement in the context of ‘Leadership Development’. 14

3. Explain the concept of ‘Follower’. Describe the Role and Responsibilities of a Follower. Also write the strategies to promote followership. 14

OR

- (a) What is Mentor Coaching ? Write and explain the five steps of Informal Coaching. 7
- (b) Discuss briefly the concept of Motivation and De-motivation. 7

4. Differentiate between Male and Female leader. Also discuss the significance of Women Leadership. 14

OR

Read the following Case Study and answer the questions : 14

Peter Weaver doesn't like to follow the crowd. He thinks groupthink is a common problem in many organizations. This former director of marketing for a consumer products company believes differences of opinion should be heard and appreciated. As Weaver states, “I have always believed I should speak for what I believe to be true.”

He demonstrated his belief in being direct and candid throughout his career. On one occasion, he was assigned to market Paul's spaghetti-sauce products. During the brand review, the company president said, “Our spaghetti sauce is losing out to price-cutting competitors. We need to cut our prices!”

Peter found the courage to say he disagreed with the president. He then explained the product line needed more variety and a larger advertising budget. Prices should not be cut. The president accepted Weaver's reasoning. Later, his supervisor approached him and said, "I wanted to say that, but I just didn't have the courage to challenge the president."

On another occasion, the president sent Weaver and 16 other executives to a weeklong seminar on strategic planning. Weaver soon concluded the consultants were off base and going down the wrong path. Between sessions, most of the other executives indicated they didn't think the consultants were on the right path. The consultants heard about the dissent and dramatically asked participants whether they were in or out. Those who said "Out" had to leave immediately.

As the consultants went around the room, every executive who privately grumbled about the session said "In." Weaver was fourth from last. When it was his turn, he said "Out" and left the room.

All leaders spend time in reflection and self-examination to identify what they truly believe and value. Their beliefs are tested and fine-tuned over time. True leaders can tell you, without hesitation, what they believe and why. They don't need a teleprompter to remind them of their core beliefs. And, they find the courage to speak up even when they know others will disagree.

- (1) What leadership traits did Weaver exhibit ?
- (2) If you were in Weaver's shoes, what would you have done ?
- (3) Where does courage come from ?
- (4) List your three most important values.

5. Explain any **two** :

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|---|---|
| (1) Collective Intelligence, wisdom and consciousness. | 7 |
| (2) Principles of effective delegation. | 7 |
| (3) Conflict confrontation strategy and Conflict Containment. | 7 |



