

Seat No. : _____

AN-109

April-2025

Int. M.B.A., Sem.-X

Financial Derivatives (Finance Specialization)

Time : 2:30 Hours]

[Max. Marks : 70

1. Write a detailed note on financial derivatives explaining various types, players and usage of derivatives. 14

2. Answer any **two** questions from (a), (b) and (c) below : 14
 - (a) The spot price of “Turmeric” is ₹ 8,000/100 kg and cost of financing the holding is 15% p.a. with continuous compounding. What should be the price of a futures contract on this for a contract having strike date 30 days away from the current date ?
 - (b) Spot price of a dividend yielding share is ₹ 90 per share. A dividend of ₹ 4 per share is expected at the end of three months. If risk-free rate is 18% per annum with continuous compounding, then calculate the price at which three months future should trade.
 - (c) Shares of XYZ Ltd. are currently selling at ₹ 300 each. 3 months futures are available at ₹ 312. Draw a suitable arbitrage strategy to make risk-less profit given that the deposits/borrowings can be made @8% p.a.

3. Answer any **two** questions from (a), (b) and (c) below : 14
 - (a) Spot price of shares of X company is ₹ 47 with an exercise price of ₹ 50 with time to expiration 6 months, risk free rate of return 10% and standard deviation of the return of the share is 0.4. Calculate price of the call option using BSM model.
 - (b) A share has a current market price of ₹ 40. One month call is available at a strike price of ₹ 39. It is known that after 1 month the share price may be ₹ 42 or ₹ 38. Find out the value of the call as per BM if the risk-free rate is 8%.

- (c) Internet services Ltd. is a listed company, and the share price may fall from the current level of ₹ 1900 and wants to make profit by a suitable option strategy. The following option rates are available :

Strike Price (K) (₹)	Call options (premium) (₹)	Put options (premium) (₹)
1700	325	65
1800	200	80
1900	85	120
2000	70	200
2100	65	280

The investor decides to buy a call at a strike price of ₹ 1800 and to write a put at a strike price of ₹ 2000. Find out the Profit/Loss profile of the investor if the share price on the expiration date is ₹ 1600, ₹ 1700, ₹ 1800, ₹ 1900, ₹ 2000.

4. (a) Bacardi Ltd. and Counterparty have to borrow ₹ 100 crores for 5 years. The relevant interest rates are as follows :

	Fixed rate	Floating rate
Bacardi Ltd.	14%	LIBOR + 1.25%
Counterparty	15.75%	LIBOR + 2%

Bacardi Ltd. is interested to borrow at floating rate while Counterparty interested to borrow at fixed rate obligations. If the savings is to be shared equally, is there a swap opportunity ? You are required to devise a swap so that both the parties are benefited.

- (b) “Plain vanilla swap is simplest form of interest rate swap contract.” Discuss with a suitable example along with its structure and mechanism.

5. Answer any **two** questions from (a), (b) and (c) below :

14

(a) Discuss the various types of risk management process in companies.

(b) Write short notes on :

(i) Commodities derivatives

(ii) Caps and floors

(c) Suppose Mr. Z enters into certain Equity index futures contract on March 20th, 2024.

Date of purchase	Future contract	Expiry Date	Contract price per unit (₹)	Lot size
20 th Mar., 2024	EF1	May 2024	1030	200
21 st Mar., 2024	EF2	June 2024	2280	50
21 st Mar., 2024	EF1	May 2024	1020	200

Daily settlement price will be :

	EF1	EF2
On 20 th Mar., 2024	1040	
On 21 st Mar., 2024	1030	2300
On 22 nd Mar., 2024	1010	2290

Calculate the amount of M to M receive and paid. Also pass the accounting entries as required.

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Retail Management

Time : 2:30 Hours]

[Max. Marks : 70

1. Read the passage below and answer accordingly : 14

UrbanCart Retail began as a single-store operation in a metropolitan city, selling everyday grocery and lifestyle products. Over the span of five years, it expanded to 50 locations and launched a user-friendly e-commerce platform. Competing in a crowded market dominated by both local and global players, UrbanCart's rapid success caught the attention of industry analysts. What set UrbanCart apart was its strategic focus on key **drivers of retail success**.

Questions :

- (i) Identify and explain the key drivers of success for UrbanCart Retail.
- (ii) What are current trends in retail format are going on in which UrbanCart Retail can venture in ?

2. Trendora Fashions, a boutique apparel retailer in Pune, India, was launched in 2021 by young entrepreneur Meera Shah. The store focused on sustainable, locally-sourced fashion for urban women. With a small but loyal customer base, Trendora had stable footfall and modest online traction through social media. By mid-2023, Meera noticed stagnant growth. Competitors with better inventory, larger store spaces and aggressive digital marketing were pulling away customers. Trendora had outdated POS systems, limited online visibility and inadequate inventory due to working capital constraints. 14

Questions :

- (i) Identify and explain potential sources of funding that a retail startup like Trendora Fashions can explore to overcome financial constraints.
- (ii) How can retail ventures improve profitability, as seen in the case of Trendora Fashions ?

OR

2. UrbanBask, a mid-sized department store in Bengaluru, was launched in 2018, offering a wide range of products – from fashion and electronics to groceries and home essentials. Initially, the store was managed informally by the founder, Anil Verma, who supervised all departments with the help of a few senior employees. Realizing the store's inefficiencies were rooted in the lack of a formal organizational structure, Anil consulted a retail management expert. It was evident that the company needed a structured approach with clear reporting lines and departmental roles. 14

Questions :

- (i) What operational challenges did UrbanBask face due to the absence of a formal organizational structure ? How did these challenges impact its profitability ?
- (ii) If you were a consultant for UrbanBask, what organizational arrangements would you suggest to further enhance profitability ?
3. VivaMart is a regional chain of lifestyle department stores in South India, offering a mix of apparel, electronics, home goods and seasonal items. By 2023, it had 8 locations and was planning rapid expansion. The management encouraged each store to independently forecast its buying needs and place merchandise orders accordingly. Management realized that while the stores were enthusiastic about growth, there was no structured approach to allocating merchandise budgets across categories, locations and seasons. The absence of a merchandise budgeting system had led to inefficiencies in both buying and profitability. 14

Questions :

Suggest centralized merchandise budgeting process for VivaMart which can prevent overstocking and understocking in a retail environment.

OR

3. MegaloMart is a large-format retail store located in the outskirts of Hyderabad, spread across 40,000 square feet. It offers a wide range of products, including groceries, apparel, electronics, home furnishings and seasonal items. The store attracts a high volume of daily footfall due to its size and variety. Realizing the importance of **strategic store layout and design**, MegaloMart hired a retail space planning consultant to revamp the customer experience. 14

Question :

As a retail consultant brought in to improve the store layout and design of a large-format retail store like MegaloMart, what key elements would you consider to enhance customer experience, optimize product visibility, and improve overall store performance ?

4. Sparza Retail is a mid-sized lifestyle and fashion store located in a busy commercial hub in Nagpur. Known for trendy apparel and accessories at affordable prices, Sparza enjoyed good local visibility during its early years. However, by late 2023, the store witnessed a noticeable drop in footfall and stagnant sales. The store owner consulted a retail marketing expert who emphasized the need for a comprehensive promotion strategy. 14

Questions :

Being a retail marketing expert suggest How can a Sparza Retail tailor its promotional strategy to different customer segments.

OR

4. “The Cozy Corner Cafe” was a beloved local coffee shop known for its artisanal brews and warm, inviting atmosphere. Initially, the cafe thrived, attracting a loyal customer base. However, over the past six months, the owner, Sarah, noticed a concerning decline in customer satisfaction and a noticeable drop in repeat business. She realized she had not established clear operational procedures or provided sufficient staff training. She also had not implemented any form of inventory management. 14

Question :

- (i) What are the primary sources of merchandise shrinkage in the The Cozy Corner Cafe ? What measures are being taken to address them ?
 - (ii) How are safety hazards identified and addressed within the The Cozy Corner Cafe environment ?
5. “Spice Route Express” was a popular fast-casual restaurant chain, specializing in authentic Indian street food, particularly its signature samosas. Initially, their growth was rapid, fueled by a strong brand identity and consistently high-quality food. However, as they expanded to ten locations within the city, inconsistencies began to emerge. The samosas, once lauded for their crispness and flavour, varied widely across locations. Customer feedback, once overwhelmingly positive, now included complaints about soggy pastry, bland fillings and varying portion sizes. Ravi suspected that inconsistent operational procedures were the root cause. He observed that some locations were more efficient than others, with lower food waste and faster service times. He realized that they were not benchmarking their processes. 14

Questions :

- (i) What criteria should Ravi use to select potential franchisees to ensure consistent quality and brand representation ?
- (ii) How can “Spice Route Express” benchmarking its operational processes ?

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Leadership in Organization (HR)

Time : 2:30 Hours]

[Max. Marks : 70

1. Write and explain the importance of Leadership. Also discuss various leadership styles at length. 14

2. Answer any **two** :
 - (1) "The six turns in leadership pipeline are major events in the life of a leader." Explain the statement in the context of leadership passages. 7
 - (2) What is boundary spanning and team leadership ? Explain level 5 leadership as given by Jim Collins. 7
 - (3) What is Leadership development mechanism ? Explain. 7

3. Who can be considered a motivated worker at the organization ? Also distinguish between empowered employee and unempowered employee. 14

OR

3. Differentiate between Mentoring and Counselling. Also explain Leader-Member Exchange Theory. 14

4. Explain the concept of Women Leadership and write the importance of women leadership. Also distinguish between male and female leadership. 14

OR

4. Write any **two** of the following biographies : 14
 - (1) Walt Disney
 - (2) Ratan Tata
 - (3) Jeff Bezos

5. Read the Case Study and answer the questions :

Assume you are the VP of Sales and Marketing for a large insurance company. Once a year your company rewards and recognizes the top 100 sales agents by taking them to a luxury resort for a four-day conference. Business presentation meetings are held during the morning. Afternoons are free time. Agents and spouses can choose from an assortment of activities including golf, tennis, boating, fishing, shopping, swimming, etc.

On day 2 at 3:00 p.m., you are at the gym working out on the treadmill, when you see Sue, your administrative assistant rushing towards you. She says, "I need to talk to you immediately."

You get off the treadmill and say, "What's up ?" Sue states, "We've had a tragedy. Several agents went boating and swimming at the lake. Randy, our agent from California died while swimming."

(Background information - Randy is 28 years old. His wife did not come on the trip. She is home in California with their three children).

(1) How would you communicate the news to Randy's wife ? Would you continue the conference ? 7

(2) If Randy's wife and a few family members want to visit the location of Randy's death, what would you do ? Also explain some "guiding principles" that leaders need to follow in a crisis situation. 7
