

**IMBA in BI/IB/ APR Sem.-9 Examination  
F-DRM**

Time : 2.30 Hours]

December-2025

[Max.Marks : 70

- Instructions :** (1) This paper contains **FIVE** questions.  
 (2) All questions are compulsory.  
 (3) Question No.2, 3, 4 have internal options.  
 (4) Figures in the right side in parenthesis indicate marks.

- Q.1** What are financial derivatives? Describe the different types of financial derivatives and discuss their role in the stock market. (14)
- Q.2** Write short notes on: (14)
1. Black – Scholes Option pricing model
  2. Binomial Option Pricing model
- OR**
- Q.2** A stock of ABC Ltd. is currently trading at ₹3,600. An investor expects price movement in the near future and decides to use options to benefit or protect themselves. The strike price for both the call and put options is ₹3,600, and the premium for each option is ₹50 per share. (14)
- Examine what happens at different spot prices at expiry (₹3,200, ₹3,600, ₹3,800) for each participant:
1. Put option buyer
  2. Put option seller
  3. Call option buyer
  4. Call option seller
- Q.3** (A) Write a short note on application of swaps in hedging. (07)  
 (B) Write a short note on exotic derivatives. (07)
- OR**
- Q.3** Explain the various types of risks involved in derivative trading and discuss the risk management strategies used to mitigate these risks. (14)
- Q.4** Explain the process of securitization in detail. (14)
- OR**
- Q.4** (A) Explain some of the emerging trends in derivatives market. (07)  
 (B) Write a short note on Collateralized Debt Obligations (07)

**Q.5 (A)** Do as directed

**(07)**

1. An Indian exporter expects to receive \$100,000 after 3 months. The current spot exchange rate is ₹83/USD. The exporter fears that the rupee might appreciate to ₹80/USD.
  - If the exporter does not hedge, how many rupees will they receive if the exchange rate falls to ₹80/USD?
  - If the exporter enters a forward contract to sell USD at ₹83/USD, how many rupees will they receive regardless of market fluctuations?
  - Calculate the loss avoided by using the forward hedge.
2. NIFTY is currently trading at 23,500. A trader expects the index to rise in one month and therefore buys one NIFTY Futures contract at 23,500. After a month, NIFTY rises to 23,900. Assume the lot size is 50 units.
  - Calculate the trader's profit or loss from this futures trade (ignore brokerage and taxes).
  - What would be the trader's position if NIFTY had instead fallen to 23,200 at expiry?
  - State which type of risk or opportunity the futures contract helped the trader capture.

**(B)** Explain the difference between hedging and speculation.

**(07)**

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