

Seat No. : _____

AF-133

April-2016

5th Year M.B.A., Integrated

Financial Derivatives

Time : 3 Hours]

[Max. Marks : 100

1. (a) Explain meaning and types of derivatives. Also explain difference between hedging, arbitrage and speculation with reference to derivatives. **12**
- (b) Write a detail note on derivative market and trading in India highlighting important regulations of trading. **8**

2. Answer any **two** from a, b and c below : **20**
 - (a) The shares of ABC Ltd. are being traded at ₹ 100. Dividends of ₹ 1.50 per share are expected after 3 months, 6 months and 9 months from today. Find out the theoretical value of 10 months futures contract if the risk free rate is 8% p.a.
 - (b) Shares of F Ltd. are currently selling at ₹ 40. A three month futures contract is available on it. Risk free rate is 5% p.a. Design an arbitrage strategy and work out the profit if the futures are currently selling at ₹ 39 or ₹ 43. Assume lot size of 200.
 - (c) Compare and contrast futures contract and forward contract.

3. Answer any **two** from a, b and c below : **20**
 - (a) The current market price of the equity shares of N Ltd. is ₹ 70 per share. It may be either ₹ 90 or ₹ 50 after a year. A call option with strike price of ₹ 66 with one year maturity is available. The rate of interest applicable to the investor is 10%. An investor wants to create a replicating portfolio in order to maintain his pay-off the call option for 100 shares. Find out hedge ratio, amount of borrowing, fair value of the call and his cash flow position after a year.

- (b) The spot price of share of T Ltd. is ₹ 100 and exercise price of the option is ₹ 90 with a maturity of 3 months. Risk free rate of interest is 6% with continuous compounding. Volatility of return from share is 20%. What will be the price of call option if a dividend of ₹ 5 per share is expected and dividend discount rate is 6% p.a. ?
- (c) The spot price of equity shares of M Ltd. is ₹ 200 and put options on this are available with an exercise price of ₹ 160, ₹ 170 and ₹ 180. The expiry for each of the options is in July 2016. The premium for these three options is ₹ 5, ₹ 6 and ₹ 10 respectively. The options are of European style. The investor is of the opinion that the market is likely to have southward movement in near future. Suggest what strategy can be adopted in this situation. Also show the outcome if the spot price on expiry happens to be in the range of ₹ 140 to ₹ 180 with a tick size of ₹ 10.
4. (a) An investor buys 4 futures contract of gold at MCX of India. Each contract is of 100 grams of gold. The price quotation is ₹ 27,500 per 10 grams. Initial margin is set at 5%, while minimum margin is 90% of the initial margin. Find out the gain or loss on daily basis, position of margin account and margin call if any on daily basis when the contacts are marked-to-market. The clearing prices of the next 5 days are given below and it is also assumed that on 5th day the investor square off his position. 10

Day	0	1	2	3	4	5
Price (₹)	27500	27300	27400	27600	27500	27800

- (b) A Ltd. and B Ltd. have equal requirements of funds of ₹ 500 crores each. They have been offered following rates in the fixed and floating rate markets for debt : 10

	Fixed rate	Floating rate
A Ltd.	12%	MIBOR + 50 bps
B Ltd.	14%	MIBOR + 150 bps

A Ltd. wants funds at floating rate while B Ltd. wishes to raise funds at fixed rate basis. A foreign bank is willing to act as an intermediary with 20 bps as its remuneration. Depict a swap sharing the gains of swap equally and find out the cost of funds for both the companies. What would be the savings in financing cost to each of the firm ?

5. (a) From the following information, pass necessary entries in the books of Mr. X (buyer) and Mr. Y (seller). Assume that the price on expiry is ₹ 950 and both Mr. X and Mr. Y follow the calendar year as accounting year : 10

Date of purchase	Option type	Expiry date	Premium per unit	Contract multiplier	Strike price
29/3/2015	Equity index call	31/5/2015	₹ 10	200	₹ 850

- (b) Explain various Greeks of option with their meanings. 10

OR

- (b) On 21/1/2015, Mr. C of Chennai sold goods to Mr. W of Washington, USA for an invoice price of \$ 40,000 when the spot market rate was ₹ 54.20 per US \$. Payment was to be received after 3 months. To mitigate the risk of loss from decline in the exchange rate, Mr. C immediately acquired forward contract to sell US \$ 40,000 @ 53.70. Mr. C closed his books of account on 31st March every year. Exchange rate on 31/3/2015 was ₹ 53.20 per US \$. Assuming that payment has been received on time pass necessary entries in the books of Mr. C to record the above transactions. The exchange rate on the date of receipt was ₹ 52.20 per US \$. 10

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April-2016

5th Year M.B.A., Integrated

Retail Management

Time : 3 Hours]

[Max. Marks : 100

- Instructions :** (1) Attempt **all** questions.
(2) **All** questions carry equal marks.

1. (a) Briefly discuss the theories of retail development. According to you, which theory best describes the Indian retail development. **5**
- (b) Describe types of non-store based retailing. **5**
- (c) Assume you are the marketing head of sporting goods retailer Arena. As a retail chain your USP is your offering of one stop solution for all types of sport related needs. According to you which demographic factors, psychographic factors and shopping behaviour will affect your retail chain. Develop at least 2 shopper profiles for your chain. **10**

2. (a) Conduct a trading area and site selection analysis for an independently owned departmental store in your city. **12**
- (b) Describe the similarities and dissimilarities in the organization structure of small independent chain retailers and corporate owned diversified chain retailers. **8**

- OR**
- (b) Describe the cost and retail methods of accounting for inventory valuation. **8**

3. (a) Write notes on any **two** : **10**
 - (i) Merchandise and Assortment Plan
 - (ii) Private Labels
 - (iii) Atmospherics
- (b) What are the elements of layout planning ? Describe them. **10**

4. (a) What are the different pricing strategies that a retailer can use ? How does a retailer decide which pricing strategy to use ? **10**

(b) A specialty store that sells women's clothing is planning to launch a lifestyle store that would sell readymade garments, accessories, household linen and home decor stuff. It wants to launch its first three stores at Pune, Jaipur and Ahmedabad. Discuss what should be its strategy on communication, branding and customer service. (You can use following points to plan your strategy target customer, location type, brand name, colours, brand ambassadors, communication media, promotion and offers on launch, launch events, customer service mix etc.). **10**

OR

(b) Briefly describe the elements of store operations. Present an operations blue-print for a coffee shop. **10**

5. (a) Describe the in-store technologies used by retailers to enhance customer experience. **10**

(b) Write a detailed note on franchising. **10**

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**5th Year M.B.A. Integrated
Performance Management**

Time : 3 Hours]

[Max. Marks : 100

1. Write short notes (any **four**) : **20**
- (A) Competency Based Performance Management System.
 - (B) Performance Counselling Skills.
 - (C) Move from Performance Appraisal to Performance Management.
 - (D) Electronic Performance Management.
 - (E) Pre-requisites and characteristics of Performance Management.
2. Answer any **two** : **20**
- (A) Define Performance Planning and discuss two theories of goal setting in context of Performance Planning.
 - (B) Explain the importance of Performance Planning along with the methodology with suitable examples.
 - (C) What are the objectives of Performance Managing and discuss the process of Performance Managing.
3. Attempt any **one** : **20**
- Define Performance Appraisal and discuss the methods. Which method in your opinion is useful in today's context ?

OR

- (1) What is Annual Stock-taking ? Discuss the DSMC/ATI model of Performance improvement.
- (2) Why is Performance Management Documentation important ? Explain the process of institutionalizing mentoring programme.

4. Answer any **two** : **20**
- (A) “No resource is more powerful in an organization than a high performance team, what great individuals cannot accomplish on their own can be achieved by High Performance Teams.” Discuss.
 - (B) Which elements hinder effective implementation of Performance Management? Explain in detail.
 - (C) Discuss the concept and perspective on employee reward system. Explain the implications of Performance Management on the reward system of an organization.
5. Attempt any **two** : **20**
- (A) What are the sins of HR professionals ? Discuss each in detail.
 - (B) Introduce the concept of Ethics in Performance Management. State the objectives and significance of Ethics in Performance Management.
 - (C) What are the ethical issues and dilemmas in Performance Management ?
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