1605M198 Candidate's Seat No :

M.B.A. (FSN) (Sem.-IV) Examination
Risk Management and Derivatives-II
May-2017

Time : 3 Hours] **[Max. Marks : ~~100~~ 70**

Q.1 (A) Write a note on Risk Management Process. (7)

Q.1 (B) Which derivative Instruments can be used to mitigate risk. (7)

OR

Q.1 (B) Write a note on Interest Rate Futures. (7)

Q.2 (A) How a foreign currency risk can be mitigated using Currency Forward. Explain with an example. (7)

Q.2 (B) The settlement price of Reliance share on a particular day on BSE was 900. The multiple associated with the contract is 200. The initial margin for the contract is Rs.10000 and the maintenance margin. Is set at Rs.7500. the settlement prices on the following 5 days were as Follows.

Day	1	2	3	4	5
Settlement Price	860	895	920	880	845

You are required to calculate the mark to market cash flows, the daily closing balance and net profit (or loss) in the account of an investor who has gone long at 900 and short at 900. (7)

OR

Q.2 (B) Explain the difference between Futures and Forward. (7)

Q.3 (A) Explain Options and types of option with example. (7)

Q.3 (B) Write a note on Put call parity . (7)

OR

Q.3 (B) Write a note on Black Scholes model of option valulation. (7)

Q.4 (A) Explain Greek letters in brief. (7)

Q.4 (B) Explain Straddle strategy of options with an example and pay off. (7)

OR

Q. 4 (B)Explain Butterfly strategy of options with an example and pay off. (7)

Q.5 (A) Explain Cap , Collar and Floor with example. (7)

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Q.5 (B) Explain Currency Swap with example and how it can be used to mitigate interest and currency risk? (7)

OR

Q.5 (B) IPL Ltd and ICL LTd have equal requirements of funds of Rs 500 Cr each. They have been offered following rates in the fixed and floating rate markets for debt:

	Fixed Rate	Floating Rate
IPL Ltd	12%	MIBOR + 50 bps
ICL Ltd	14%	MIBOR + 150 bps

IPL Ltd wants funds at floating rate while ICL Ltd is happy to raise funds at fixed rate basis. JP Morgan, 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 company. What would be the savings in financing cost to each of the firm?

(7)

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