Roll No...........

Plot No. 2, Knowledge Park-III, Greater Noida (U.P.) –201306

POST GRADUATE DIPLOMA IN MANAGEMENT (2020-22)
END TERM EXAMINATION (TERM -V)

Subject Name: **Financial Derivatives and Risk Management** Time: **02.30 hrs**
Sub. Code: **PGF-04** Max Marks: **60**

Note:
1. All questions are compulsory. Section A carries 10 marks: 5 questions of 2 marks each, Section B carries 30 marks having 3 questions (with internal choice question in each) of 10 marks each and Section C carries 20 marks one Case Study having 2 questions of 10 marks each.

SECTION - A

Attempt all questions. All questions are compulsory. **2× 5 = 10 Marks**

Q. 1: (A). Define the term risk management.
Q. 1: (B). What is VAR. What are its assumptions.
Q. 1: (C). Differentiate between Futures and Forwards.
Q. 1: (D). What do you mean by hedging?Give an example.
Q. 1: (E). What is underlying asset in case of derivative.

(Entire question Q1 will correspond to 1 CO only)

SECTION – B

All questions are compulsory (Each question has an internal choice. Attempt any one (either A or B) from the internal choice) **10 x 3 = 30 Marks**

Q. 2: (A). Illustrate with example profit and loss to put option seller and buyer? (CO2)

Or

Q. 2: (B). Suppose you are derivative trader and you have bought put option at premium of Rs 100 of Strike Price of Rs 2400. You are required to explain whether your option will be in the money, out of money or at the money when price at expiration is 2400,2350 and 2450. Also explain what do you mean by in the money, out of money and at the money (CO2)

Q. 3: (A). Define the terms Premium, Strike Price, Lot size, Current Market Price and Expiry Price with example. (CO3)

Or

Q. 3: (B). Explain how will you get arbitrage profit in case future price of reliance is 2450 and current market price is Rs 2400.If the lot size of reliance is 250.Also calculate Arbitage Profit. (CO3)

Q. 4: (A). The following data relate to Anand's share price
Cureent Market Price – Rs 1800

6 Months Future Price -Rs 1950

Assuming it is possible to borrow money @ 12% you are required to compute

i) To calculate minimum theretical price of 6 months forward purchase
ii) To explain arbitrage opportunity. (CO4)

Or

Q. 4: (B). What are Swaps, mention the application of currency swaps in current scenario. (CO4)

SECTION - C

Read the case and answer the questions **10×02 = 20 Marks**

Q. 5: Case Study: (CO3)

Calculating the profit and finding the strategy

Suppose Market Scenario in the current date are bullish. Everything is going well Covid 19 Pandemic is going away. Luckily Omicron did not pose that much threat that was expected by various governments.

Since the scenario was bullish ABC ltd has sold the put option of Reliance ltd of strike price 2400 at the premium of Rs 150 having lot size of 250 shares when the current market price was 2450 .

Few Days later the market conditions were weakened by War and increase in interest rates by FED reliance price was reduced to Rs 2400.To cover themselves from unlimited loss the ABC ltd also purchased the put option of strike price of Rs 2300 at the premium of Rs 95.On the date of expiry the market price of Reliance was Rs 2380.

You are required to answer

a.) What is the profit to ABC Ltd in the above case study
b.) Which option of ABC ltd is in the money and which option is out of the money
c.) What is the strategy used by ABC Ltd
d.) What is the maximum profit A would be able to earn using above strategy?
e.) What is maximum loss A would have to face using above strategy.

Mapping of Questions with Course Learning Outcome

Question Number	COs	Marks Allocated
Q. 1:	**CO1**	**10 marks**
Q. 2:	**CO2**	**10 marks**
Q. 3:	**CO3**	**10 marks**
Q. 4:	**CO4**	**10 marks**
Q. 5:	**CO3**	**20 marks**

Note: Font: Times New Roman, Font size: 12.