



# GL BAJAJ

Institute of Management & Research

Approved by A.I.C.T.E., Ministry of HRD, Govt. of India

Roll No.....

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

## POST GRADUATE DIPLOMA IN MANAGEMENT (2019-21) END TERM EXAMINATION (TERM -V)

Subject Name: Financial Derivatives and Risk Management

Time: **02.30 hrs**

Sub. Code PGF 04

Max Marks: **60**

### Note:

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): Differentiate between Straddle and Strangle.

Q. 1 (B): Forwards are made for OTC assets. Do you agree?

Q. 1 (C): Discuss the importance of Simulation Techniques of VaR, over Statistical Techniques.

Q. 1 (D): What are different types of risks associated with Derivatives.

Q. 1 (E): If, Current Price of XYZ Stock is Rs 296. Rs. 260 strike call is quoted at Rs 45. What is the Intrinsic Value?

### SECTION - B

**10 x 3 = 30 Marks**

All questions are compulsory (Each question has an internal choice. Attempt any one (either A or B) from the internal choice)

Q. 2: (A) Discuss the Utility of Black-Scholas Valuation Technique in light of Options Greeks.

or

(B) If an investor buys a call option with lower strike price and sells another call option with higher strike price, both on the same underlying share and same expiration date, which strategy he is using. Discuss with an illustration.

Q. 3: (A) A trader has bought 100 shares of XYZ at Rs 780 per share. He expects the price to go up but wants to protect himself if the price falls. He does not want to lose more than Rs 1000 on this long position in XYZ. What should the trader do?

or

(B) Critically compare EWMA, ARCH and GARCH technique of calculating volatility for measuring financial risk.

Q. 4: (A) Discuss Cash and Carry Model of valuation of Futures Contract, with special emphasis on its assumptions.

or

(B) How Date and Day of Expiry of Derivative Contract vary in Indian Scenario? Discuss by comparing Financial Derivatives, Commodity Derivatives and Bullions separately.

### SECTION - C

Read the case and answer the questions

**10×02 = 20 Marks**

Q. 5: Case Study:

A trader has Long Call and Long Put as per data given below:

Long	Call	Put
Strike	6200	6000
Premium	145	140
Spot	6100	

If Current Market Price changes from 5100 to 7100, with an interval of 100 points,

Q5(A): Calculate the Net Flow from holding the above mentioned contracts. Also mention, ATM, ITM and OTM for each CMP.

Q5(B): Draw a Payoff Chart, name the strategy and calculate BEP or BEPs for the positions being hold by the trader.

### 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: (A) / (B)	CO2 / CO3	10 marks
Q. 5:	CO4	20 marks

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