

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

POST GRADUATE DIPLOMA IN MANAGEMENT (2019 -21)

MID TERM EXAMINATIONS (TERM -V)

Academic Session- 2020-21

Subject Name : Financial Derivatives and Risk Management
Sub. Code: PGF04

Time: 01.30 hrs
Max Marks: 20

Note:

1. Writing anything except Roll Number on question paper will be deemed as an act of indulging in unfair means and action shall be taken as per rules.
2. All questions are compulsory in Section A, B & C. Section A carries 1 Case Study of 8 marks. Section B carries 3 questions of 2 marks each and Section C carries 2 questions of 3 marks each.

SECTION – A 04+04 = 08 Marks

Q. 1: Case Study:

(A) Suppose current price of ABC Ltd. Is 800/-. A buys one share for future delivery after 6 months at 900/-. Subsequently, after one month, B offers to buy ABC Ltd. Share at 925/- for delivery after 5 months. If risk free rate is 9%p.a, what is the value of forward contract that A is holding? Should A accept the offer of B. (PGF04-CO-4)

(B) (i) Differentiate Mark to Market Margin and Initial Margin. Support your answer with an illustration. (PGF04-CO-2)

(ii) Price of Suzlon share is Rs. 85/- at NSE. It's 3 months Future contract is being traded at Rs. 86. Cost of borrowing is 12% per annum. Suggest if he should buy the Future Contract. (PGF04-CO-3)

SECTION – B 02×03 = 06 Marks

Q. 2: “Futures & Options are suitable for Investors.”- Justify the Statement. (PGF04-CO-1)

Q. 3: Explain the terms “ Contango” and “Backwardation” with reference to future markets. (PGF04-CO-1)

Q. 4: Differentiate between OTC and ETC in Derivatives segment. State two products in each category. (PGF04-CO-1)

SECTION – C 03×02 = 06 Marks

Q.5. Explain the statement: “Forward are Zero-Sum Games” Also state an illustration to support the statement. (PGF04-CO-2)

Q. 6. Discuss the role of Arbitrageurs in Cash and Carry Model of Futures Contract. Support your answer with an illustration. (PGF04-CO-3)



GL BAJAJ

Institute of Management & Research

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

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COs	Question Number(s)	Total Marks Allocated to the CO
CO1	Q.2, Q.3, Q.4	6
CO2	Q.5, Q.1 (B)(i)	5
CO3	Q.1 (B)(ii), Q.6	5
CO4	Q.1(A)	4

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