

27/3/2018



Doon University
Mid Semester Examination, 2018,
School of Management
MBA, Fourth Semester
MMS-538, Financial Derivatives

Time: 2 Hours

Total Marks: 30

Note: Attempt all questions.

SECTION: A (Short answer type questions to be answered in about max 100 words) (2*4=8).

1. Explain the following terms:
 - a. Strike Price
 - b. Forward Contract
 - c. Call and Put Option
 - d. Future Contract

SECTION: B (Medium answer type questions to be answered in about 350 words)

Attempt all parts. All parts carry equal marks

(5*3=15)

2. Discuss the rights and obligation of option buyer and option seller in detail.
3. What is an option contract? How is it different from a future contract?
4. Define derivatives. What is the difference between arbitrage and speculators?

SECTION: C (Long answer type questions to be answered in about 450 words)

Attempt any one. All parts carry equal marks

(7*1=7)

5. In early February 2016, XYZ Ltd. purchased call options in Reliance stock at the strike price of Rs. 480 and also put options in LG at Rs.700 for late February, 2016 option contracts. Suppose the spot price of both stock on expiry are as under:

Situations	Reliance	LG
1	450	720
2	480	700
3	495	680

Find out whether the call and put options are in the money, out of money or at the money.

6. Discuss the various factors affecting option prices in detail.