PVP24

Code No: **24BA4T6FA**

II MBA - II Semester - Regular Examinations – JUNE 2026

FINANCIAL DERIVATIVES

Duration: 3 Hours Max. Marks: 70

Note: 1. This question paper contains two Parts: Part-A and Part-B.
2. Part-A contains 5 essay questions with an internal choice from each unit. Each Question carries 12 marks.
3. Part-B contains one Case Study for 10 Marks.
4. All parts of Question paper must be answered in one place

BL – Blooms Level CO – Course Outcome

PART - A

			BL	CO	Max. Marks
		UNIT – I			
1.	a)	Define financial derivatives and explain their meaning with suitable examples.	L1	CO1	4 M
	b)	Outline the need and objectives of financial derivatives in modern financial markets.	L2	CO1	8 M
		OR			
2.		Explain the regulatory framework of derivatives trading in India with reference to Securities and Exchange Board of India.	L4	CO1	12 M

UNIT – II					
3.	a) Differentiate between forward contracts and futures contracts.		L4	CO2	6 M
	b) Explain interest rate futures and their importance in financial markets.		L2	CO2	6 M
OR					
4.	Explain different hedging strategies using in derivative contracts.		L3	CO2	12 M
UNIT-III					
5.	a) Define the options market and explain its meaning and need in financial market.		L1	CO3	6 M
	b) Outline the types of option contracts with suitable examples.		L2	CO3	6 M
OR					
6.	Analyse the operational framework of options contracts trading on Indian stock exchanges.		L4	CO3	12 M
UNIT – IV					
7.	a) Explain the concept of volatility and its impact on option pricing.		L2	CO4	6 M
	b) Identify and explain the causes of volatility in financial markets.		L2	CO4	6 M
OR					

8.	Consider the following data Calculate the value of call option as per Black-Scholes model Stock price: Rs.50 Months to expiration: 3 months Risk free rate of interest: 10% PA S.D of stock: 40% Exercise price: Rs.55 Option type: European call	L4	CO4	12 M

Stock price	Rs.50
Months to expiration	3 months
Risk free rate of interest	10% PA
S.D of stock	40%
Exercise price	Rs.55
Option type	European call

UNIT – V

9.	a)	Define swaps in derivatives market.	L1	CO5	3 M
	b)	Explain the structure and mechanism of the swaps in derivatives market with a diagram.	L3	CO5	9 M
		OR			
10.		Discuss currency swaps and explain how they help in managing foreign exchange risk.	L3	CO5	12 M

PART – B

	CASE STUDY	L5	CO1	10 M
11.	An Indian IT company expects to receive $1 million after 3 months from a US client. The company is concerned that the Indian Rupee may appreciate, reducing its revenue in INR. To manage this risk, the finance manager is considering using forwards, futures or options contracts. All such transactions are governed by Securities and			

	Exchange Board of India. 1. Identify the type of risk faced by the company. 2. Analyze which derivative instrument is most suitable for the company. 3. Explain how the selected derivative helps in hedging the risk.