Roll No. | | | | | | | | | | | | | **Total No. of Pages : 02**

Total No. of Questions : 06

MBA (Campus) (Sem.–4)

FINANCIAL ENGINEERING

Subject Code : MBA-415

M.Code : 75077

Time : 3 Hrs. **Max. Marks : 60**

INSTRUCTIONS TO CANDIDATES :

1. **SECTION-A contains SIX questions carrying TWO marks each and students has to attempt ALL questions.**
2. **SECTION-B consists of FOUR questions each carrying TEN marks each and student has to attempt ALL questions.**
3. **SECTION-C is consist of ONE Case Study carrying EIGHT marks.**
4. **All Questions are Compulsory.**

SECTION-A

1. **Write briefly :**

   a) Derivatives

   b) Futures contract

   c) Option trading

   d) Straddles

   e) Credit derivatives

   f) Spot market volatility

SECTION-B

2. What do you mean by financial engineering? Discuss the tools used in financial engineering.

3. Discuss the importance of derivatives. Also discuss the regulatory framework related to derivatives in India

4. Discuss the Black-Scholes model for pricing options contracts.

5. What is a commodity derivative? Discuss the importance of commodity derivatives.

SECTION-C

6. **Attempt following case study :**

The underlying asset in a futures contract could be commodities, stocks, currencies, interest rates and bond. The futures contract is held at a recognized stock exchange. The exchange acts as mediator and facilitator between the parties. In the beginning both the parties are required by the exchange to put beforehand a nominal account as part of contract known as the margin.

Since the futures prices are bound to change every day, the differences in prices are settled on daily basis from the margin. If the margin is used up, the contractee has to replenish the margin back in the account. This process is called marking to market. Thus, on the day of delivery it is only the spot price that is used to decide the difference as all other differences had been previously settled.

a) What is pricing of futures contracts?

b) Discuss the determinants of value of futures contract.

NOTE : Disclosure of Identity by writing Mobile No. or Making of passing request on any page of Answer Sheet will lead to UMC against the Student.