



INSTITUTE OF AERONAUTICAL ENGINEERING (AUTONOMOUS)

Dundigal, Hyderabad - 500 043

MASTER OF BUSINESS ADMINISTRATION

MBA II Semester

ASSIGNMENT

Course Name : FINANCIAL DERIVATIVES
Course Code : CMB421
Class : MBA IV Semester
Branch : MBA
Year : 2017– 2018
Course Coordinator : M.Ramesh, Assistant Professor, MBA Department.
Course Faculty : M.Ramesh, Assistant Professor, MBA Department

OBJECTIVES

To meet the challenge of ensuring excellence in management education, the issue of quality needs to be addressed, debated and taken forward in a systematic manner. Accreditation is the principal means of quality assurance in higher education. The major emphasis of accreditation process is to measure the outcomes of the program that is being accredited.

In line with this, Faculty of Institute of Aeronautical Engineering, Hyderabad has taken a lead in incorporating philosophy of outcome based education in the process of problem solving and career development. So, all students of the institute should understand the depth and approach of course to be taught through this question bank, which will enhance learner's learning process.

S. No	Question	Blooms Taxonomy Level	Course Outcome
ASSIGNMENT NO.1			
UNIT-I			
INTRODUCTION TO DERIVATIVES			
1	Explain about the various types of options. Who are the parties involved in option contract?	Remember	1
2	Define swaps in derivatives market. Write about the different types of swaps in derivatives market?	Understand	1
3	Write the criticisms/Misuses of derivatives market which causes unstable market situations?	Remember	2
4	Write the differences between the forward contracts and future contracts in derivatives market?	Understand	2
5	Define derivatives. Discuss how financial derivatives use hedging strategies for managing risk?	Understand	2
6	Who are traders in derivatives markets? How do they differ from the participants in the derivatives market?	Remember	2
7	Discuss the growth and development of financial derivatives market in	Remember	2

S. No	Question	Blooms Taxonomy Level	Course Outcome
	India in detail?		
8	Furnish the classification of derivatives based on the nature of i) Derivative instruments ii) Underlying asset iii) markets	Remember	2
UNIT-II FUTURE AND FORWARD MARKET			
1	Write the advantages of forward contracts and future contracts in derivatives market in detail?	Understand	3
2	Explain the distinction between the futures and forward contracts in derivatives market.	Remember	3
3	Write a note on i) currency futures ii) currency forwards	Understand	3
4	Briefly explain about the trading mechanism of forward contract in derivatives market?	Remember	3
5	Define futures in derivatives market. Explain the structure and mechanism of the futures in derivatives market with a diagram.	Remember	3
6	“Hedging is the basic functions of futures market”. Discuss the statement in the light of uses of futures contract?	Remember	3
7	The current price of wheat is Rs. 3.4 per bushel and interest rates are at 4%. The storage cost per one year runs at about 0.1 per bushel, which is to be paid up front. What is the 1 year forward price of wheat?	Remember	3
8	Define futures in derivatives market. Explain the structure and mechanism of the futures in derivatives market with a diagram.	Understand	3
UNIT-III OPTIONS AND BASIC OPTION STRATEGIES			
1	Explain the concept of in the money, at the money and out of the money of option contract.	Remember	4
2	What are the different types of transaction costs that are involved in option trading in derivatives market?	Understand	4
3	What do you mean by options and futures in derivatives market? Bring out the differences between options and futures?	Remember	4
4	Briefly explain i) The maximum value of a call ii) The value of a call at expiration iii) The effect of time to expiration in options	Understand	4
ASSIGNMENT NO.2 UNIT-III OPTIONS AND BASIC OPTION STRATEGIES			
1	Explain the assumptions in Binomial Option pricing model in derivatives market.	Remember	5
2	Discuss some of the bullish strategies in basic option strategies in options under derivatives market?	Understand	5
3	Explain the various strategies used by the hedgers to manage their exposure to price risk.	Remember	5
4	Discuss in brief how BSOPM has further extended and explained on	Remember	5

S. No	Question	Blooms Taxonomy Level	Course Outcome								
	discrete dividends and continuous dividend stream?										
UNIT-IV COMMODITY MARKET DERIVATIVES											
1	Discuss the benefits of commodity futures markets as an efficient price risk management?	Remember	6								
2	What are the commodity options in commodity markets? Write a note on call option hedge?	Create	6								
3	Write about the trading of commodity options in exchanges? What do you mean by call option hedge, put option hedge and long combo hedge?	Understand	6								
4	What are the swaps in commodities derivatives market? Write about the types of commodity swaps in detail?	Understand	6								
5	Explain about the National Commodity and Derivatives Exchange (NCDEX) Limited.	Remember	6								
6	Narrate the clearing, settlement and delivery mechanism in commodity exchanges in India?	Remember	6								
7	Write the structure of the National Commodity and Derivatives Exchange Limited (NCDEX)?	Understand	6								
8	What steps are generally taken by the commodities exchanges to protect the interests of the genuine traders against the misuse by unscrupulous speculators?	Remember	6								
UNIT-V SWAPS											
1.	Define commodity swaps in derivatives contract. Discuss the various types of commodity swaps?	Remember	7								
2.	Explain the characteristics and advantages of equity indexed swaps in derivatives market.	Remember	7								
3.	Define credit risk. Write about the credit risk in swaps contract in the derivatives market?	Evaluate	7								
4.	Explain the concept of interest rate swaps. Discuss the various features of interest rate swaps with suitable examples.	Understand	7								
5.	“Plain vanilla swap is simplest form of interest rate swap contract available in interest rate swap market” discuss with the help of an example explaining its structure and mechanism	Understand	7								
6.	What is currency swaps in derivatives market? Discuss the three steps flow of currency swaps with an example?	Remember	7								
7.	When do we use swaps as a hedging tool? Explain the silent features of currency and interest rate swaps with an example.	Remember	7								
8.	On October 01, 2016, the spot term structure is as follows <table border="1" style="margin-left: 40px;"> <tr> <td>12 months</td><td>24 months</td><td>36 months</td><td>48 months</td></tr> <tr> <td>2.52</td><td>5.08</td><td>7.73</td><td>10.4</td></tr> </table> Determine the fixed rate on a 4 year swap for the pay fixed part?	12 months	24 months	36 months	48 months	2.52	5.08	7.73	10.4	Understand	7
12 months	24 months	36 months	48 months								
2.52	5.08	7.73	10.4								