SET A

MASTER OF BUSINESS ADMINISTRATION
FOURTH SEMESTER [SPECIAL REPEAT]
MANAGEMENT OF FINANCIAL DERIVATIVES
MBA – 404C

[USE OMR SHEET FOR OBJECTIVE PART]

Duration: 3 hrs. **Full Marks: 70**

Objective

Time: 30 mins. **Marks: 20**

Choose the correct answer from the following: ***1×20=20***

1. Which of the following is a financial derivative?
   a. Services
   b. Commodity
   c. Product
   d. Forward contracts

2. Futures differ from forwards because they are (a) (b) (c) (d) Answer: D
   a. Used to hedge portfolios
   b. Used to hedge individual securities.
   c. Used in both financial and foreign exchange markets.
   d. A standardized contract.

3. Hedging in the futures market
   a. Eliminates the opportunity for gains
   b. Eliminates the opportunity for losses
   c. Increases the earnings potential of the portfolio
   d. Does both (a) and (b) of the above

4. A speculator with a bullish view on a security can-
   a. Buy stock futures
   b. Buy index futures
   c. Sell stock futures
   d. Sell index futures

5. Futures contracts are regularly traded on the:
   a. Chicago Board of Trade
   b. Float New York Stock Exchange
   c. American Stock Exchange.
   d. Turnover Chicago Board of Options Exchange.

6. Identify the false statement.
   a. Futures contracts trade on a financial exchange.
   b. Futures contracts are marked to market.
   c. Futures contracts allow fewer delivery options than forward contracts.
   d. Futures contracts are more liquid than forward contracts.

7. Who regulates the commodity derivatives market in India?
   a. SEBI
   b. IRDAI
   c. RBI
   d. GOVERNMENT

8. Futures contracts are regularly traded on the
   a. Chicago Board of Trade.
   b. New York Stock Exchange
   c. American Stock Exchange.
   d. Chicago Board of Options Exchange.

9. The amount paid for an option is the-
   a. Strike price
   b. Discount
   c. Premium
   d. Yield

10. A call option gives the owner -
   a. The right to sell the underlying security.
   b. The obligation to sell the underlying security.
   c. The right to buy the underlying security.
   d. The obligation to buy the underlying security.

11. The seller of an option has the:
   a. right to buy or sell the underlying asset
   b. The obligation to buy or sell the underlying asset.
   c. Ability to reduce transaction risk. The right to hold an underlying asset.
   d. Right to exchange one payment stream for another.

12. What is Arbitrage?
   a. Entering into sell and purchase transaction in spot market
   b. Entering into purchase transaction in spot & futures market
   c. Simultaneously entering into sell and purchase transactions in two or more markets.
   d. Entering into sell transaction in spot and futures market

13. In the Black and Scholes option pricing formula, an increase in a stock's volatility:
   a. Increases the associated call option value
   b. Decreases the associated put option value
   c. Increases or decreases the option value, depending on the level of interest rates
   d. Does not change either the put or call option value because put-call parity holds

14. The type of swaps in which the fixed payments of interest are exchanged by two counterparties for floating payments of interest are called
   a. Interest rate swap
   b. Float-fixed swap
   c. Indexed swap
   d. Counter party swap

15. Hedging strategy -
   a. removes losses
   b. helps reduce risk
   c. helps make excess profits
   d. is independent of risk

16. An option allowing the owner to sell an asset at a future date is a ______________.
   a. Put option
   b. Call option
   c. Forward option
   d. Future contract

17. Which of the below does not have anything to do with a stock exchange?
   a. Initial Public Offering (IPO).
   b. Net Asset Value (NAV).
   c. Knowledge Processes Outsourcing (KPO)
   d. The National Stock Exchange (NSE)

18. .... is the minimum amount which must be remained in a margin account
   a. Maintenance margin
   b. Variation margin
   c. Initial margin
   d. None of these

19. When was the National Stock Exchange Fifty (NIFTY) founded?

a. 1982
b. 1988
c. 1996
d. 1992

20. In India, name the commodity in which futures trading was started first and when?

a. Rice, 1888
b. Copper, 1870
c. Maize ,1877
d. Cotton, 1875

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