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**NOIDA INSTITUTE OF ENGINEERING AND TECHNOLOGY, NIET BUSINESS SCHOOL,
GREATER NOIDA**

(An Autonomous Institute Affiliated to AKTU, Lucknow)

PGDM

TRIMESTER: V - THEORY EXAMINATION (2024 -2025)

Subject: Financial Derivatives and Risk Management

Time: 2.5 Hours

Max. Marks: 60

General Instructions:

IMP: Verify that you have received the question paper with the correct course, code, branch etc.

1. This Question paper comprises of three Sections -A, B, & C. It consists of Multiple Choice Questions (MCQ's) & Subjective type questions.

2. Maximum marks for each question are indicated on right -hand side of each question.

3. Illustrate your answers with neat sketches wherever necessary.

4. Assume suitable data if necessary.

5. Preferably, write the answers in sequential order.

6. No sheet should be left blank. Any written material after a blank sheet will not be evaluated/checked.

SECTION-A

15

1. Attempt all parts:-

- | | | |
|------|--|---|
| 1-a. | Main purpose of hedging with forwards CO1 K1 | 1 |
| | (a) To speculate and make quick profits | |
| | (b) To reduce exposure to price fluctuations | |
| | (c) To avoid trading regulations | |
| | (d) To eliminate counterparty risk | |
| 1-b. | The primary difference between forward and futures contracts is CO2 K1 | 1 |
| | (a) Futures are standardized and traded on exchanges | |
| | (b) Forwards have daily settlement | |
| | (c) Forward contracts require margin | |
| | (d) Futures have flexible terms | |
| 1-c. | Risk management strategy involves selling covered calls CO3 K1 | 1 |
| | (a) Buying a call option and selling a put option | |
| | (b) Selling a call option while holding the underlying asset | |
| | (c) Buying both call and put options | |
| | (d) Trading without holding any assets | |
| 1-d. | Differentiates a fixed-for-floating swap from a basis swap CO4 K2 | 1 |
| | (a) Payment frequency | |
| | (b) Currency of payments | |

(c)	Type of interest rates	
(d)	Trading venue	
1-e.	Statistical tool is commonly used to measure risk CO5 K1	1
(a)	. Standard Deviation	
(b)	. Mean	
(c)	. Median	
(d)	. Range	
2.	Attempt all parts:-	
2.a.	Discuss the primary function of a forward contract co1 k2	2
2.b.	Discuss key features of a forward contract co2 k4	2
2.c.	Differentiate between call and put options.co3 k4	2
2.d.	Define financial swaps.co4 k1	2
2.e.	Name any two statistical tools used in risk management.co5 k1	2
<u>SECTION-B</u>		15
3.	Answer any <u>three</u> of the following:-	
3-a.	Explain the key challenges in regulating the Indian derivatives market co1 k3	5
3-b.	Discuss the role of hedgers, speculators, and arbitrageurs in the derivatives market.co2 k3	5
3.c.	Explain how protective puts work.co3 k1	5
3.d.	Differentiate between interest rate swaps and currency swaps.CO4 K3	5
3.e.	Differentiate between systematic and unsystematic risk.co5 k2	5
<u>SECTION-C</u>		30
4.	Answer any <u>one</u> of the following:-	
4-a.	Compare and contrast the Indian derivatives market with global markets.co1 k2	6
4-b.	How does SEBI regulate the Indian derivatives market? co1 k1	6
5.	Answer any <u>one</u> of the following:-	
5-a.	Discuss the impact of derivatives trading on market liquidity.co2k3	6
5-b.	Discuss how institutional investors use futures contracts for risk management.co2 k3	6
6.	Answer any <u>one</u> of the following:-	
6-a.	Analyze how high-frequency trading affects options pricing and liquidity.co3 k2	6
6-b.	Evaluate the advantages and disadvantages of trading in the index options market.co3 k2	6
7.	Answer any <u>one</u> of the following:-	
7-a.	Critically evaluate the advantages and disadvantages of currency swaps.co4 k6	6
7-b.	Assess the impact of regulatory frameworks on the derivatives market for swaps.co4 k3	6

8. Answer any one of the following:-

- | | | |
|------|---|---|
| 8-a. | Discuss how international financial institutions contribute to risk management.co5 k3 | 6 |
| 8-b. | Examine the impact of interest rate fluctuations on market risk.co5 k2 | 6 |

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