

You succeed in convincing our client to take a suitable option on ADD 100 million and a 6 month forward on remaining AUD 100 million through USD. You are able to make a neat sum through this deal for your company. Once again your chief trader is not happy with you. He is asking what if the portfolio of the client sees large movements. You say you have tested it for delta neutrality. Convince the chief trader.

It seems that the chief trader is out to test you knowledge. Now, you are asked to report the impact of cross currency movement on all the Greeks of this client's portfolio.

Questions:

- (a) What information do you need? What analysis will you carry out?
- (b) How will you communicate with client and chief trader?

MBGN 4001/FM 4001/IN 4001/
MBLG 4004

M.B.A. DEGREE EXAMINATION,
DECEMBER 2015/JANUARY 2016.

Fourth Semester

General/Finance/Insurance Management

INVESTMENT AND PORTFOLIO MANAGEMENT

Time : Three hours

Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions out of the following.

1. Define the term Investment. How does it differ from speculation?
2. What do you mean by a mutual fund? What are the advantages available to the investors in mutual funds?
3. What are the factors determining the price of future contracts?
4. Explain life cycle of an Industry.
5. State the features of Random walk theory.

6. Explain various types of charts used by technical analyst to predict future behaviour of prices.

7. Define Risk. Explain various sources of Risk.

8. Explain security market line with the help of diagram.

PART B — ($5 \times 10 = 50$ marks)

Answer any FIVE questions out of the following.

9. What is options contract? Explain the different types of options.

10. What do you mean by company analysis? Describe the reasons for analyzing the capital structure of the company.

11. Explain Dow theory with the help of diagram.

12. Explain the efficient market hypothesis and the three forms of market efficiency.

13. What do you mean by constant growth in dividend? How does the growth factor affects the value of the share?

14. Discuss in detail the Markowitz Model of portfolio analysis.

15. Explain CAPM. How does it help in estimating the expected return of a security?

16. Describe the sharp's model of Portfolio performance Index analysis.

PART C — ($1 \times 20 = 20$ marks)

(Compulsory)

Case Study:

17. You are young derivatives trader. This is your first month on a corporate desk. A long time client with substantial exports to Australia calls up. The client is expecting an inflow of AUD 200 million in six months time.

During the discussion, it transpires that there are no direct options contracts for the dates the client is looking for. The client has burnt his fingers in earlier options contracts, when the market moved against and an American Put go exercised.

You suggest that the client can hedge this by a forward sale, purchase of a put option or by a strategy known as covered call writing. After the days trading is over you meet the chief trader and discuss this deal. The chief trader is not amused. Why? Compare the possibilities and explain using options algebra.

MBFM 4002

M.B.A. DEGREE EXAMINATION,
DECEMBER 2015/JANUARY 2016.

Fourth Semester

Finance

GLOBAL FINANCIAL MANAGEMENT

Time : Three hours

Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions out of the following.

1. What is meant by globalisation? Explain its benefits.
2. What is meant by gold standard? Explain its special features in global trade.
3. Define the concept of balance of payment disequilibrium.
4. State the importance of international monetary system.
5. Explain the impact of EEC.

6. What are the various types of currency risk? Explain.
7. What is meant by exposure netting? Explain its assumptions.

8. State the significance in FDI.

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions out of the followings.

9. Explain the role of WTO in international economic integration.
10. State the objectives of GATT and explain its working.
11. Discuss the role of RBI towards regulating and development of foreign exchange market.
12. Write an essay on international monetary system.
13. Elaborately discuss the various sources of international funds.

14. Explain briefly the following :

- (a) Exchange risk management
- (b) Transaction exposure
- (c) Operating exposure.

15. Write an essay on international money market and bond market instruments.

16. Write a short note on the followings :

- (a) Effect of FDI.
- (b) Purpose of overseas investment
- (c) Euro commercial power.

PART C — (1 × 20 = 20 marks)

Compulsory

17. The most important index in financial market in NIFTY, which uses a set of stocks that are representative of the whole market, to measure the change in the overall behaviour of the market over a period of time” – Do you agree? Give reasons.

MBFM 4003/MBLF 4003

M.B.A. DEGREE EXAMINATION,
DECEMBER 2015/JANUARY 2016.

Fourth Semester

Finance

INTERNATIONAL TRADE AND FINANCE

Time : Three hours

Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions.

All questions carry equal marks.

1. What is international trade?
2. Write short notes on Balance of Payment.
3. What is the need for finance in international trade?
4. What is import licensing? Explain.
5. What is a forward price? Explain its merits.
6. Write a short note on FEMA.

7. What is bill of lading? Explain.

8. Explain about Export Processing Zone.

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions.

All questions carry equal marks.

9. Discuss the benefits of international trade.

10. Elaborate the barriers to international trade in detail.

11. Explain the functions of EXIM bank in international trade.

12. What are the activities involved in preshipment and postshipment finance?

13. Discuss the factors influencing exchange rates.

14. Explain the assumptions and advantages of PPP Theory in international trade.

15. What are the various commercial documents involved in export trade?

16. Elaborate the export incentives provided by Government of India for developing export promotion.

PART C — (1 × 20 = 20 marks)

Compulsory question.

17.

You are an exporter of Gold and Diamond Jewellery in India. Approximately 85% of your product is sold in the domestic market and 15% is being exported. You are not availing any kind of incentive for your exports.

Now you want to upgrade your production facility and also wish to avail the incentives given to the exporter under FTP.

Question :

Prepare a feasibility report to make your products more competitive in the export market by availing the provisions in the Foreign Trade Policy.

MBFM 4004/MBLF 4004

M.B.A. DEGREE EXAMINATION,
DECEMBER 2015/JANUARY 2016.

Fourth Semester

Finance

SECURITY MARKET OPERATIONS

Time : Three hours

Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions.

All questions carry equal marks.

1. Write short notes on security market.
2. Explain the RBI rules and regulations for FII's.
3. Explain the functions of primary market.
4. Write a note on new issues market.
5. Explain the importance of secondary market.
6. What is meant by trade mechanism?
7. What are the roles and responsibilities of depository participant?
8. Define debentures. Explain its merits.

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions.

All questions carry equal marks.

9. Discuss the provisions of securities contract regulation Act 1956.
10. Elaborate the SEBI guidelines for public issues.
11. Explain the role of merchant bankers, underwriters and brokers in stock market.
12. What are the procedures followed while listing of securities in stock exchanges?
13. Discuss the advantages of internet based trading in stock market.
14. Explain the various provisions of SEBI (depositories and participants regulation) 1996.
15. Discuss the merits and demerits of disaster bonds, option bonds and easy exit bonds.
16. Explain the various money market instruments.

PART C — (1 × 20 = 20 marks)

Compulsory question.

17. Case Study.

The following table gives an analyst's expected return or two stocks for particular market returns.

Market Return	Aggressive stock	Defensive Stock
6%	2%	8%
20	30	16

- (a) What are the betas of the two stocks?
- (b) What is the expected return on each stock if the market return is equally likely to be 6% or 20%?
- (c) If the risk-free rate is 7% and the market return is equally likely to be 6% or 20%. What is the SML?
- (d) What are the alphas of the two stocks?

MBFM 4005/MBLF 4005

M.B.A. DEGREE EXAMINATION,
DECEMBER 2015/JANUARY 2016.

Fourth Semester

Finance

FINANCIAL DERIVATIVES

Time : Three hours

Maximum : 100 marks

PART A — ($5 \times 6 = 30$ marks)

Answer any FIVE questions.

All questions carry equal marks.

1. What is financial derivative?
2. What is a forward market?
3. Write short notes on covered option. Explain its advantages.
4. What is a currency swap?
5. What is financial futures contract?
6. Explain the functions of a clearing house.
7. What is meant by cross hedging?
8. Explain the need for derivatives.

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions.

All questions carry equal marks.

9. Explain the various types of financial derivatives.
10. Discuss on the classifications of forward contracts.
11. Explain the various types of options in detail.
12. Elaborate the basic principles of option trading.
13. Discuss the function and growth of futures markets.
14. Distinguish between forward contract and futures contract.
15. Discuss the objectives of hedging.
16. Explain the advantages and disadvantages of Balda system in Indian stock market.

PART C — (1 × 20 = 20 marks)

Compulsory question.

17. Consider the following data.

Stock price	=	Rs. 50
Months to expiration	=	3 months
Risk-free rate of interest	=	10% p.a.

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Standard deviation of stock = 40%
Exercise price = Rs. 55
Option type = European call
Calculate value of call option as per Black-Scholes model.

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