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SARDAR PATEL UNIVERSITY
MBA IV SEMESTER EXAMINATION
2008
Friday, 4th April
11.00 a.m. to 2.00 p.m.
FM 212 : MANAGEMENT OF FINANCIAL INSTITUTIONS

Note: Sum of the marks come to 65, but weightage of the question paper is 70 marks.

MARKS : 65%

Q-1 Write brief notes on following Non-Bank Financial Institutions and their role: (13)
IFCI , IDBI , ICICI , EXIM BANK, IL &FS and SIDBI

Q-2(a) Financial Institutions are part of Financial System. Which are other element of Financial System? What do you include under financial institution group? (07)

Q-2(b) Narrate the Call Money Market in India and its participation methodology. (06)

Q-3(a) Give investment pattern of LIC and GIC highlighting major changes in recent times. (06)

Q-3(b) Answer the following objective questions (07)

1. While hedging a portfolio of stocks with index futures, an investor
   a. Sell equal amount of index futures, adjusting for the portfolio beta.
   b. Buys equal amount of index futures, adjusting for the portfolio beta.
   c. Sells stocks and buys index futures against them.
   d. Buys more stocks and sells equivalent value of index futures.

2. A has a long Reliance position of Rs. 2 lakh the beta of Reliance is 1.05. In order to remove his Nifty exposure, he shorts Nifty to the tune of Rs. 2.5 lakh, which of the following is true?
   a. He is over hedged
   b. He is under-hedged
   c. He is not hedged
   d. Nothing can be said

3. Which of the following types of risks can be done away with by the effective usage of various derivatives?
   a. Market Risk
   b. Interest Rate Risk
   c. Above a. and b.

d. None of the above.

4. Premium in options and futures contracts is
   a. Refundable for option and futures contracts.
   b. Non-refundable for options and refundable for futures contracts.
   c. Non refundable for options and non payable for futures contracts.
   d. Refundable for both options and futures contracts.

5. Spot value of NIFTY is 1000. An investor bought a one month NIFTY 1020 call option for a premium of Rs. 10. the option is
   a. In the money
   b. Out of the money
   c. At-the money
   d. None of the above

6. Which of the following is not true for a future contract?
   a. Expiration date is known to both the parties.
   b. Long and Short are responsible to each other for performing the contract.
   c. Long and Short are symmetric.
   d. There is no counter party risk.

7. In "European" style of options, the holder/buyer of an option is allowed to exercise it
   a. Only at the maturity
   b. At any time within the life period of the option.
   c. Only with the consent of the counter party.
   d. As and when permitted by the exchange.

Q-4 (a) Apply the Black-Scholes model to value a call option. If the stock price 6 months from the expiration of an option is $42 . the exercise price of the option is $40, the risk free interest rate is 10% per annum, and the volatility is 20% per annum. (06)

Q-4 (b) An investor is making a position as follows. (07)
Buy a March 310 call of Arvind mills @ Rs21 per share and Buy a March 310 put of Arvind mills @ Rs. 42 per share.
He anticipates a sharp movement in the price of Arvind Mills share.
Explain and Draw a straddle strategy with given options.

Q-5 (a) Explain the following: (06)
a. Asian Options b. Look Back options c. Barrier Options

Q-5 (b) A stock is currently selling for Rs. 400. The price of call option expiring six months are as follows: (07)

Strike price = Rs. 350, Call price = Rs. 15

Strike price =Rs. 425, Call price =Rs. 8

Investors feel it is likely that stock price will move significantly in next 6 months.

Draw a butterfly spread with given options.

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