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PRESIDENCY UNIVERSITY

Presidency University Act, 2013 of the Karnataka Act No. 41 of 2013 | Established under Section 2(f) of UGC Act, 1956
Approved by AICTE, New Delhi | Approved By BCI
Bengaluru

Even Semester Mid Term, March 2026

Date: 10/03/2026

Time: 09:30 AM - 11:00 AM

Course Code: MBA3097

Course Name: Derivatives and Risk Management

Semester: Fourth Semester

Max. Marks: 50

Weightage: 50%

CO - Levels	CO1	CO2
Marks	44	26

Part A: Answer Following Questions. 15 M

Qn.No	Questions	M	CO	BT
1	Explain Basis risk in derivatives contract.	3	CO1	BT1
2	Distinguish between forward contracts and futures contracts	3	CO1	BT1
3	Explain the leverage and potential risks in derivative markets.	3	CO2	BT2
4	Differentiate between systematic risk and unsystematic risk	3	CO1	BT1
5	Explain different strategies to manage risk.	3	CO2	BT2

Part B: Answer Any 1 Following Questions. 10 M

Qn.No	Questions	M	CO	BT
6	A company imports raw materials from the US. Explain the currency risk involved and suggest how derivatives can be used to manage it.	10	CO1	BT1
7	Explain hedgers, speculators, and arbitrageurs with practical examples from derivative markets.	10	CO1	BT1

Part C: Answer Any 1 Following Questions. 10 M

Qn.No	Questions	M	CO	BT
8	<p>A forward contract on 500 shares of a company currently trading at ₹150 per share is due in 60 days. The annual risk-free rate is 10% per annum</p> <p>(a) Calculate the forward contract price.</p> <p>(b) How would the forward price change if a dividend of ₹5 per share is expected to be paid 30 days before maturity?</p>	10	CO2	BT2
9	<p>Calculate the price of an index futures contract expiring in 90 days with market capitalisation weighted index is currently 1250 using the following additional information:</p> <p>i) Dividend of ₹4 per share from Company P, payable 25 days from now ii) Dividend of ₹2 per share from Company R, payable 40 days from now iii) Continuously compounded risk-free rate (ccrf) = 7% p.a. iv) Lot size = 200 units</p>	10	CO2	BT2

Part D: Answer Following Questions. 15 M

Qn.No	Questions	M	CO	BT
10	<p>The settlement price of a Nifty futures contract is ₹18,000.</p> <p>The Initial margin is ₹12,000 and Maintenance margin at ₹9,000</p> <p>As per the exchange, the Contract multiplier for contract is 40</p>	15	CO1	BT1

The Settlement prices for next 5 days is furnished below:

Day	Settlement Price (₹)
1	18,200
2	18,900
3	17,100
4	16,350
5	17,150

Required:

Calculate the Mark-to-Market (MTM). Show daily cash flows, margin balance and net profit/loss for each position:

- a) An investor in long position
- b) An investor in short position