43392

BRAINWARE UNIVERSITY

Term End Examination 2025-2026
Programme – MBA-2024
Course Name – Financial Derivatives and International Finance
Course Code - MBA40205B
(Semester IV)

Full Marks : 60 **Time : 2:30 Hours**

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

Group-A
(Multiple Choice Type Question) 1 x 15=15

1. *Choose the correct alternative from the following :*

(i) Identify the primary purpose of derivatives in financial markets.
a) Speculation only b) Risk management
c) Tax evasion d) Accounting manipulation

(ii) Recognize the trader who uses derivatives to reduce risk exposure.
a) Arbitrageur b) Hedger
c) Speculator d) Broker

(iii) Enumerate the parties involved in a derivative contract.
a) One party b) Two or more parties
c) Only regulator d) Only exchange

(iv) Identify the derivative instrument that involves an obligation to buy or sell.
a) Option b) Future
c) Swap d) Warrant

(v) State the underlying asset for currency derivatives.
a) Gold b) Foreign exchange
c) Equity d) Bond

(vi) Illustrate hedging using futures by locking in prices.
a) Speculation b) Arbitrage
c) Risk reduction d) Gambling

(vii) Explain basis as the difference between spot and futures price.
a) Spot minus future b) Future minus spot
c) Average price d) Market price

(viii) Distinguish hedging from speculation.
a) Same b) Risk reduction vs risk taking
c) Both risky d) Both safe

(ix) Calculate value of interest rate swap.

a) Arbitrary b) Present value
c) Historical d) Book

(x) Apply swap valuation using discounting.

a) Ignoring time b) Time value
c) Guess d) Accounting

(xi) Calculate BOP deficit when payments exceed receipts.

a) Surplus b) Deficit
c) Balance d) Neutral

(xii) Classify exports under current account.

a) Capital b) Current
c) Reserve d) Financial

(xiii) Analyze interest rate parity condition.

a) Goods b) Capital flows
c) Exchange rate d) Inflation

(xiv) Assess liquidity risk in derivative markets.

a) None b) Present
c) Illegal d) Fixed

(xv) Evaluate interest rate risk exposure.

a) Fixed b) Variable
c) None d) Illegal

Group-B

(Short Answer Type Questions) 3 x 5=15

2. Define financial derivatives. (3)
3. Explain the valuation of forward contracts. (3)
4. Explain the concept of interest rate swaps. (3)
5. Evaluate the role of BOP in economic policy. (3)
6. Distinguish between credit risk and market risk. (3)

OR

Compare systematic and non-systematic risk. (3)

Group-C

(Long Answer Type Questions) 5 x 6=30

7. Examine the impact of trade balance on exchange rates. (5)
8. Examine the economic benefits of derivatives for investors and firms. (5)
9. Explain the concept and application of interest rate and currency swaps. (5)
10. Differentiate between current account and capital account transactions. (5)
11. Distinguish between appreciation and depreciation of currency. (5)
12. Evaluate the impact of foreign exchange risk on international firms. (5)

OR

Analyze the impact of speculation on derivative markets. (5)

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