

IV Semester M.B.A. Examination, June/July-2008
Management (New)
Course-19: INTERNATIONAL BUSINESS ENVIRONMENT
(Compulsory)

Time:3 Hours

Max. Marks: 75

1. Answer **any five** sub-questions. **Each** sub-question carries **two** marks.

SECTION - A

(5X2=10)

- a) What is an international business?
- b) What is meant by Greenfield investment?
- c) What do you mean by transfer price?
- d) What is franchising?
- e) What is counter trade?
- f) What id TRIMS?
- g) What is ethnocentric approach?

SECTION – B

Answer **any four** questions. **Each** question carries **5** marks. (4X5=20)

- 2. What are the differences between domestic and international business?
- 3. Briefly discus bow legal environment influences upon international business.
- 4. Give an account on management if political risks in an international business.
- 5. Distinguish between GATT and WTO.
- 6. Explain comparative advantage theory.
- 7. Give an account on appreciation of Indian rupee on textile industry.

P.T.O

SECTION - C

Answer **any three** questions. **Each** question carries **10** marks.

(3X10=30)

8. Discuss the modes of international business.
9. Sketch out how international business is influenced by economic and socio-cultural environment.
10. Explain the proceedings of Singapore-WTO-Ministerial Conference.
11. Discuss how MNC help fostering economic growth of India.
12. Critically evaluate the functioning of foreign exchange market.

SECTION – D

13. Case (**Compulsory**) :

Cultural Factors in an MNC

Mr. Karthik Krishna, now 50, was selected as a regional manager by Bata Shoe Organization in 1996 and was appointed in Bombay. He and his family members were very happy for his quick promotions in Bata. Mrs. Rema, Mr. Karthik Krishna's wife, strongly believed in Indian culture. She was a typical Indian housewife, a big chatterbox, who spend much of her time in chit chatting with her friends.

Mr. Karthik had been innovative in formulating a number of performance appraisal programmes, cross-cultural training and compensation packages. The management of the company was impressed with his skills and abilities and he was promoted and transferred to its headquarters at Toronto, Canada.

Mr. Karthik and his family were very happy to take up the new assignment. They landed in Canada in February 2003. The company provided housing, medical and conveyance facilities to Mr. Karthik and his family. Mr. Karthik liked his new job, as it was highly challenging and rewarding. In addition, he got a number of opportunities to interact with top executives coming from different countries. He and his family were very much excited with the facilities given by the company.

Karthik became very busy and had little time for his family. Consequently, his wife was forced to spend most of her time in isolation, since, unlike in India no one in Canada spends their time for their neighbours. She could not adjust with this aspect of the western culture at her late 40s. She was thrown to severe depression. She forced her husband to leave the job and the country.

Analyse the above case and identify the strengths and weakness.

IV Semester M.B.A. Examination, June/July-2008
Management (New)
Course-20: OPERATION MANAGEMENT (Compulsory)

Time:3 Hours

Max. Marks: 75

1. Answer **any five** of the following sub-questions. **Each** sub-question carries **two** marks.

SECTION - A

(5X2=10)

- a) What is operations decision?
- b) Define operations strategy.
- c) What is a productivity measurement?
- d) What do you mean by quality function development?
- e) What is concurrent engineering?
- f) How operational classification of services done?
- g) Define JIT.

SECTION – B

Answer **any four** questions. **Each** question carries **5** marks.

4X5=20)

- 2. What are the approaches to job design? Discuss.
- 3. What is line balancing? Discuss briefly the methods of line balancing.
- 4. What is meant by aggregate planning? Explain how do you plan, 8 to 10 types of a product, and schedule these types of product.
- 5. What is cellular manufacturing?
- 6. What do you understand by learning curves and its applications?
- 7. Discuss the factors influencing product development.

P.T.O

SECTION - C

Answer **any three** questions. **Each** question carries **10** marks.

(3X10=30)

8. The following tasks must be performed on an assembly line in the sequence and times specified:

Task	: A	B	C	D	E	F	G	H
Task Time (Seconds)	: 50	40	20	45	20	25	10	35
Task that must precede	: -	-	A	C	C	D	E	B,F,G

- a) Draw a precedence diagram.
 - b) What is the theoretical minimum number of stations required to meet a forecasted demand of 400 units per 8-hour day?
 - c) Balance the line in any of the methods.
9. In an attempt to increase productivity and reduce costs, RS Corporation is planning to install an incentive pay plan in its manufacturing plant. In developing standards for one operation, time-study analysts observed a worker for a 30-minute period. During that time the worker completed 42 parts. The analysts rated the worker as producing at 130 percent. The base wage rate of the worker is Rs. 100 per hour. The firm has established 15 percent as a fatigue and personal time allowance.
- a) What is the normal time and standard time for the task?
 - b) If the worker produced 500 units during an eight –hour day, what wages would the worker have earned?
10. Why does the operations strategy keep changing for companies that are world –class competitors? Discuss with examples.
11. What are some capacity considerations in a service industry? How do they differ from those in a manufacturing firm?
12. Discuss JIT in job-shop layout and in a line layout.

SECTION – D

13. Case (Compulsory) :

Alan Engineering Contractors creates six-month ‘rolling’ schedules, which are recomputed monthly. For competitive reasons, the company does not subcontract. Therefore, its only options to meet customer requirements are 1) work on regular time 2) work on overtime, which is limited to 30 percent of regular time; 3) do customers work early which would cost an additional Rs.100 per hour per month and 4) perform customers work late, which would cost an additional Rs.200 per hour per month penalty as provided by their contract.

Alan Engineering has 25 engineers on its staff at an hourly rate of Rs.300. customer’s hourly requirements for the six months from Jan. to June are:

Jan	Feb	March	April	May	June
5,000	4,000	6,000	6,000	5,000	4,000

Develop an aggregate plan using the transportation method of linear programming. Assume 20 working days in each month.

IV Semester M.B.A. Examination, June/July-2008
Management (New)
Course-21: TOTAL QUALITY MANAGEMENT (Compulsory)

Time:3 Hours

Max. Marks: 75

1. Answer **any five** of the following sub-questions. **Each** sub-question carries **two** marks.

SECTION - A

(5X2=10)

- a) Define Capability Index.
- b) Define Quality Costs.
- c) What is Internal Benchmarking?
- d) What do ASQ and ANSI stand for?
- e) What is meant by 'Voice of the Customer'?
- f) Explain the concept of Kanban System.
- g) What is JIT System?

SECTION - B

Answer **any four** questions. **Each** question carries **5** marks.

4X5=20)

- 2. Explain why quality should be better by following the TQM concept than in a system that depends on final inspection.
- 3. How can top management communicate the need for quality throughout the organization?
- 4. What is Deming Cycle? How it is used to improve quality?
- 5. Construct a Flow Diagram/Chart for the manufacture of a product or providing a service.
- 6. Explain the concept of 'Quality is Free'. Who is the author of this concept?
- 7. Explain the key elements of Total Quality Management.

P.T.O

SECTION - C

Answer **any three** questions. **Each** question carries **10** marks. (3X10=30)

8. Explain the concepts of Quality Function Deployment and list its benefits.
9. Explain the key differences between traditional management practices and those in a TQ environment.
10. Explain the benefits of and controversy surrounding ISO 9000. Can ISO 9000 lead an organization to world-class quality?
11. Is Japanese success in attaining higher levels of quality to do with good management practices or with national cultural factors? Justify your answer.
12. What according to Philip Crosby are the four "Absolutes of Quality Management"?

SECTION – D

13. Case (**Compulsory**) :

Reengineering at A T & T Universal Card Services:

In 1992 the Universal Card Services division of AT and T, just 31 months in existence, won the Malcolm Baldrige Quality Award. The division's strong suit was customer satisfaction, although the much improved customer delight was chosen as the bases for the company values.

Despite the award, the found itself with an embarrassment of riches-or more precisely an embarrassment of customers. The success of the company's combination credit card/long-distance phone card was astounding, charter members would receive a reduced rate credit card that charged several points below market interest rates and had a lifetime membership without an annual fee. In addition, the card gave a 10 percent discount on long distance calls. The card was launched on the Academy Awards Show. In the first 24 hours, 250.000 inquiries were received, and at the end of one year 5 .3 million people had become charter members.

The response overwhelmed the company's ability to accommodate customer inquires. A major roadblock was information technology. Phone reps were given underperforming "dumb" terminals manufactured by AT & T, the parent company. The reps were unable to integrate information from multiple mainframes and had to bounce from screen to screen while keeping up a conversation with the caller. These computer hardware problems were subsequently solved by the installation of advanced systems, which are under continuing review and reengineering in search of faster response times and greater flexibility. Currently the phone reps field about 1.2 million inquires per month and answer 95 percent before 20 seconds have elapsed.

Information technology can improve both productivity and quality in a number of ways. For example, the company is testing a voice recognition unit that can reduce costs by more than a factor of 10. A voice response call costs 20 cents as compared to \$ 2.50 for a representative to service the same customer.

Information technology is also valuable for research and data analysis. By analyzing the call-management database, workload forecasts can be made each day or shift to allow for optimum use of personnel between departments.

The company has not overlooked the "soft side of information technology. The value system of "customer delight" demands rapid, accurate and courteous responses to customer calls. One-third of the workforce which operates in self-directed teams focuses on behaviour training, including ways to influence people, how to negotiate, and how to resolve conflicts. These teams have allowed the company to flatten the organization and increase the ratio of associates to supervisors from the current 20 to 1.

Questions :

- 1) What is the role of information technology in productivity improvement? What is its role in reengineering?
- 2) Choose a process and trace the steps in the process to demonstrate how many separate operations are involved. How could the process be reengineered?

IV Semester M.B.A. Examination, June/July-2008
Elective A : Finance - Management (New)
Course-22A: INTERNATIONAL FINANCE MANAGEMENT

Time:3 Hours

Max. Marks: 75

1. Answer **any five** sub-questions. **Each** question carries **two** marks.

SECTION - A

(5X2=10)

- a) Write the structure of current account in balance of payments.
- b) If direct quote is Rs.40.50-40.60/US \$, how can this be presented under indirect quote?
- c) Find the cross for £/Euro, if Euro.6035-.6045/US \$ and £.5025-.5035/US \$ (£=British Pound)
- d) Distinguish between call option and put option.
- e) What is parallel loans?
- f) Define netting.
- g) What is mark to market margin?

SECTION – B

Answer **any four** questions. **Each** question carries **5** marks.

4X5=20)

2. You receive the following quote for Swiss France against the dollar spot, one month, three months and six months forward 1.6075 to 1.6085, 10 to 15, 14 to 22, 20 to 30.
3. What is location arbitrage?
If, Bank X quotes in NY.\$0.9650 – 70/Euro, Bank Y quotes in London \$ 0.9630- 40/Euro how the corporate treasury could make geographical arbitrage profit using 1 million Euro?
4. Discuss I.R.P Theory.
5. What are the methods of managing operating exposure?
6. Why should a foreign project be evaluated both from a subsidiary and parent view point?
7. A US importer importing foods for Pound 62500 fears an appreciation of pound. He likes to hedge the risk through options. Options are available to him at two different rates. One is US \$ 1.60/£ and the other is US \$ 1.70/£. The premium in both cases is US \$ 0.03/£. If the spot rate on the maturity goes upto US \$ 1.65/£, what will be his course of action?

P.T.O

SECTION - C

Answer **any three** questions. **Each** question carries **10** marks. (3X10=30)

8. Examine different theories of exchange theories of exchange rate determination.
9. Discuss the complexities of international financial management compared to domestic financial management.
10. Describe the concept of leads, lags and transfer pricing.
11. Explain the functions of the foreign exchange market. Who are the participants in the market?
12. Define International Fisher Effect. Assume that one year interest rate 3% in U.S. and 5% in Euro zone. The spot rate between the Euro and the Dollar is €0.02/\$. Assuming I.F.E. holds what should be € \$ rate be one year hence?

SECTION – D

13. Case Study (Compulsory) :

Mr. Gupta is the chief financial officer of a manufacturing company. His company has imported a machinery for \$ 5 million payable after 90 days. He does not want to take risk. He has collected following information for the analysis of his currency exposure problem.

- a) Spot rate is Rs. 40/US \$
- b) 90 days forward rate is Rs. 39.50/US \$
- c) Interest rate on borrowing in India and U.S 6% p.a
- d) Interest rate on investment-both countries 5% p.a
- e) A 90 day call option is having a strike price of Rs.39.60 and premium of Rs.0.05 per dollar.
- f) A 90 day put option strike price is Rs.39.80 and premium of Rs.0.05 per dollar.
- g) Spot rate on the 90th day is Rs.39.80/US \$.

Advice : The finance manager to opt for:

- a) No Hedge
 - b) Forward market
 - c) Hedge in money market
 - d) Hedge in options market.
-

IV Semester M.B.A. Examination, June/July-2008

Elective C : Human Resources - Management (New)

Course-22C: MANAGEMENT OF INDUSTRIAL RELATIONS

Time:3 Hours

Max. Marks: 75

1. Answer **any five** sub-questions. **Each** question carries **two** marks.

SECTION - A

(5X2=10)

- What is industrial relations?
- What is industrial conflict?
- Define a trade union.
- What is collective bargaining?
- What is collective bargaining?
- What is industrial peace?
- What is arbitration?

SECTION – B

Answer **any four** questions. **Each** question carries **5** marks.

4X5=20)

- Bring out the importance of trade unions in industrial relations.
- Describe the nature and significance of industrial relations.
- What are the different types of trade unions?
- Comment on the role of ‘outsider’ in trade unions.
- What are the causes of industrial disputes?
- What are the main features of collective bargaining?

SECTION - C

Answer **any three** questions. **Each** question carries **10** marks.

(3X10=30)

- Explain the role of state in maintaining industrial relations.
- Examine the various approaches to trade unionism.
- Explain the conditions necessary for a strong and successful trade unions.
- Elucidate the implication of industrial peace and industrial unrest.

P.T.O

12. “Without the threat of strike in the background collective bargaining cannot exist in India”- Comment.

SECTION – D

13. Case Study (**Compulsory**) :

Arpana Textiles is a leading industry having a workforce of more than 1200 employees, engaged in the manufacture of cotton yarn of different counts. The company has well-established distribution network in different parts of country. It has modernised all its plants, with a view to improve the productivity and maintain quality. To maintain good human relations in the plant and the organisation as whole, it has extended all possible facilities to the employees. Compared to other mills the employees of Arpana Textiles are enjoying higher wages and other benefits.

The company has a chief executive followed by executives in-charge of different functional areas. The Industrial Relations Department is headed by the Industrial Relations Manager. The employees are represented by five trade unions- A, B, C, D and E (Unions are alphabetically presented based on membership)- out of which the top three unions are recognised by the management for purpose of negotiations. All the unions have maintained good relations with the management individually and collectively.

For the past ten years, the company has been distributing bonus to the workers at rates more than the statutory minimum prescribed under the Bonus Act. Last year, for declaration of rate of bonus, the management had a series of discussions. With all recognised unions and finally announced a bonus, which was in turn agreed upon by all the recognised unions. The very next day when the management prepared the settlement and presented it before the union representatives, while unions A and C signed the same, the leader of union B refused to do so and walked out, stating that the rate of bonus declared was not sufficient. The next day, union B issued a strike notice to the management asking for higher bonus. The management tried its level best to avoid the unpleasant situation, but in vain. As a result, the members of unions B went on strike. They were joined by the members of union D.

During the strike, the management could probe the reason for the deviant behaviour of union B leader, it was found that leader of union A, soon after the first meeting, had stated in the presence of a group of workers, “It is because of me that the management has agreed to declare this much amount of bonus to the employees: union B has miserably failed in its talks with the management for want of initiative and involvement.” This observation somehow reached the leader of union B as a result of which he felt insulted.

Soon after identifying the reason for union B’s strike call, the Industrial Relations Manager brought about a compromise between the leaders of unions A and B. Immediately after this meeting, the strikers (members of union B and D) resumed work and the settlement was signed for the same of bonus as was originally agreed upon.

Questions:

- 1) Was the leader of union A justified in making remarks which made the leader of union B feel offended?
- 2) What should be management's long term strategy for avoiding recurrence of inter-union differences on such issues?
- 3) If you were the Industrial Relations Manager, what would have you done had the union B resorted to strike for a reason other than mentioned in the case?

IV Semester M.B.A. Examination, June/July-2008

Elective B : Marketing - Management (New)

Course-23B: INDUSTRIAL MARKETING

Time:3 Hours

Max. Marks: 75

1. Answer **any five** sub-questions. **Each** question carries **two** marks.

SECTION - A

(5X2=10)

- a) What is consumer marketing?
- b) What do you mean by vendor analysis?
- c) Define strategy planning?
- d) What is marketing information system?
- e) What do you mean by product life cycle?
- f) What is channel strategy?
- g) Define marketing research.

SECTION – B

Answer **any four** questions. **Each** question carries **5** marks.

4X5=20)

2. How does the concept of joint demand impact the firm selling to resellers?
3. Explain the nature of industrial buying.
4. What are the components of industrial marketing strategy?
5. How do customer experiences versus inexperience affect marketing segmentation strategy?
6. Explain the relationship of innovation of productivity.
7. Why industrial firms choose their distributors? Explain.

SECTION - C

Answer **any three** questions. **Each** question carries **10** marks.

(3X10=30)

8. Discuss the strategies for managing the industrial marketing environment.
9. Describe the conflict resolution strategies.
10. Explain the role of qualitative research over quantitative research.

P.T.O

11. Explain the relationship between new product development and strategic planning.
12. Discuss the impact of logistical service on channel members.

SECTION – D

13. Case Study (**Compulsory**) :

Vinod Nair, sales executive of Zerise Documentation Ltd., encounters the Head, Department of Management Studies of the University, to sell photocopying machine. "We already have a photocopying machine. I am sorry Mr.Nair, we don't need any more machine." Says the Head. "But that machine you have now is kept in the library and I understand that it is fully employed. You have a very large quantity of course materials to reproduce. I feel that you need some more copiers," suggest Nair. The Head retorts. "Look Mr.Nair, we have a typing pool of four time typists and one Section Officer to produce the course materials. We also have a duplicating machine and an operator for that. If we have to make one copy of any document, we photocopy it, if we want four or five copies we type it and if more copies are needed we cut stencil and take copies. The present arrangement can take care of our requirements. We certainly don't need any more photocopying machine. Anybody would like to have additional facilities, but we have financial constraints so that we can't afford the luxury of an additional photocopier.

"But Sir..." Although Nair tried to put forward his proposition, he has stopped by the Head who had to leave immediately to meet the Vice Chancellor as per the appointment. Nair pleaded for an appointment some time later when the Head could spare some time." If you are very particular about meeting me you may do so somewhere next week. But, I have already told you that we don't need another copier. So, if you are inclined to waste some time, you may take an appointment and meet me." Saying this Head stands up to leave for the meeting.

Questions:

- 1) Should Nair Regard it as a closed chapter or should he meet the Head again?
- 2) If you feel that Nair should endeavour again to make a sale, draw up a strategy that would enable him to make the Head favourably disposed.

IV Semester M.B.A. Examination, June/July-2008

Elective A : Finance- Management (New)

Course-23 A: Portfolio Management and Security Analysis

Time:3 Hours

Max. Marks: 75

1. Answer **any five** sub-questions. **Each** question carries **two** marks.

SECTION - A

(5X2=10)

- a) Security market line
- b) Single index model
- c) Random walk
- d) Market to book ratio
- e) Risk aversion
- f) Arbitrate pricing theory
- g) Covariance matrix

SECTION – B

Answer **any four** questions. **Each** question carries **5** marks.

4X5=20)

- 2. Outline some of the tools of technical analysis.
- 3. Can portfolio variance be zero? Explain.
- 4. A stock price on Jan.1 was Rs.748 on March 31 it was Rs.702/-. During that period dividend of Rs.30 was received. What is the holding period return?
- 5. What factors influence portfolio combination?
- 6. How do you explain the divergence between market price and intrinsic value of a security
- 7. What is a security's alpha?

SECTION - C

Answer **any three** questions. **Each** question carries **10** marks.

(3X10=30)

- 8. A company has been experiencing on normal dividend growth-rate of 20 percent per year for the last 5 years. This normal growth rate is expected to continue for another 5 years before it levels affect a more normal rate of 6 percent. Company's last dividend was Rs.0.50 per share. Determine the current value of stock if its required rate of return is 15 percent.

P.T.O

9. Outline 'Dons Theory'.
10. Carry out a technical analysis using 'relative strength' technique.

Year	Price of Maruthi (PM)	Price of Nifty P(N)	Price of Automotive Industry P(A)
1994	Rs.40	Rs.250	Rs.20
1995	45	270	22
1996	65	300	25

11. List out the anomalies to CAPM.
12. Calculate the expected return of risk for the following probability distribution:

Probability	Annual Stock X	Return Stock Y
.2	-5%	6%
.4	10	-2
.3	-4	8
.1	7	-9
<u>1.0</u>		

SECTION – D

13. Case Study (Compulsory) :

A company is considering adding a new product division. If a new division is added, it will cover a 20 percent increase in the existing profit margin and 40 percent increase in the existing profit margin and 40 percent increase in total assets. The increase in asset will be financed with debt. Determine the RUE if sales remain constant. Assume the following ratios existed before the change in assets:

$$\text{Profit Margin} = \frac{\text{N1}}{\text{Sales}} = 1.2$$

$$\text{Total asset turnover} = \frac{\text{Sales}}{\text{Total assets}} = 2.5$$

$$\text{Equity Multiplier(EM)} = \frac{\text{Total assets}}{\text{Equity}} = 1.5$$

IV Semester M.B.A. Examination, June/July-2008

Elective C : HUMAN RESOURCES MANAGEMENT

Management (New)

Course-23C: International Human Resource Management

Time:3 Hours

Max. Marks: 75

1. Answer **any five** sub-questions. **Each** question carries **two** marks.

SECTION - A

(5X2=10)

- Define the term "International Human Resource Management".
- Mention three functions of International Human Resource Management.
- What is ethno centric approach?
- Mention three disadvantages of poly centric approach.
- What are the two advantages of Regio-centric approach?
- What do you understand by the term 'Expatriate Failure'?
- Define the term 'International Performance Management'.

SECTION – B

Answer **any four** questions. **Each** question carries **5** marks.

4X5=20)

- Explain the factors influencing purchasing performance measurement.
- Explain the methods of establishing performance standards?
- State the SCM skills.
- Explain the supply chain strategies.
- What factors are to considered while evolving a compensation package by a multi-national company?
- Explain the supply chain management process?

SECTION - C

Answer **any three** questions. **Each** question carries **10** marks.

(3X10=30)

- Explain the four major decision areas in supply chain management?

P.T.O

9. Why should purchasing performance be measured and evaluated?
10. State the cultural 'do's and 'Don't's in Japan.
11. Explain the cultural characteristics of USA and Europe.
12. What precautions should an organization take before introducing e-HR?

SECTION – D

13. Read the following case and answer the questions given below:

13. Case Study (**Compulsory**) :

Despite the problems with forced ranking systems, first consulting group, an IT health care consulting firm is based in long beach, California, uses a forced ranking system. The company' system has five numerical grades that do not mandate the exact proportion of employees to be placed in different categories or what will happen to those employees. Ranking are combined with the results of traditional employee evaluations and project reviews to provide a comprehensive picture of each employee's strengths and weaknesses. Managers and coaches discuss each employees performance for about 10 minutes and then each evaluator gives employees a numerical score. The scores for each employee are averaged. In a recent session rating 11 employees on a scale of 1 to 5 almost every employee was placed in the 2s and 3s. After discussion there was one top performer and one bottom performer with the other employees spread out between.

Questions:

- 1) How does this type of performance management system potentially affect training and development of compensation?
- 2) Why might this type of ranking system work in comparison to those systems discussed in the given case?
- 3) What recommendations would you give to first consulting group to make this systems even more effective?

IV Semester M.B.A. Examination, June/July-2008

Elective A : Finance

Management (New)

Course-24A: FINANCIAL DERIVATIVES

Time:3 Hours

Max. Marks: 75

1. Answer **any five** sub-questions. **Each** question carries **two** marks.

SECTION - A

(5X2=10)

- Distinguish between buying and selling forwards.
- Can Forwards be entered into by any two persons?
- Are there margins for forwards?
- Name any stock exchange in India where futures are traded.
- What is shorting the futures?
- How can futures be used to protect against price fall?
- How is speculation done with futures?

SECTION – B

Answer **any four** questions. **Each** question carries **5** marks.

4X5=20)

- What is continuous compounding?
- What can a hedger do if he wants a hedge for 5 months and a futures contract is available only for a 3-month tenure?
- What is the maximum pay off of a buyer of futures? How is it different from that of a seller of futures?
- In what way does the mimicking portfolio help a portfolio manager?
- “Protective put strategy does not work in a rising market”. Why?
- How are futures useful in portfolio management?

P.T.O

SECTION - C

Answer **any three** questions. **Each** question carries **10** marks. (3X10=30)

8. Will there be circumstances when the upper limit of an American call is different from the upper limit of a corresponding European call?
9. If the difference between the exercise prices of two American call is Rs.8, can the two calls have prices of Rs. 32 and Rs.12? Explain.
10. If the call price is Rs.12, the stock price is Rs. 100 and the present value of the strike price is Rs.98, what should be the corresponding put price? Explain.
11. What is covered call writing? Does it work in real life?
12. Using your own examples explain how options can be used by a portfolio manager.

SECTION – D

13. Case Study (Compulsory) :

David has a portfolio of securities. In recent months he has started using options to protect/enhance his portfolio. Thus he has indulged in covered call writing, buying protective puts and doing several combinations. Now his portfolio worth is Rs.20 lakhs consisting of 15 companies shares of various quantities. Because the market is volatile, Ram wants to profit from the period of the next 3 months, and at the same time not take undue risk. He is exploring strategies using options. He finds that only American options are available for specific securities. European options are available only for the index options. The Beta of his portfolio is 0.9.

Questions:

- 1) Name possible strategies that are possible. Are these in the nature of profit making or for protection?
- 2) The fact that securities options are American is both an advantage and disadvantage for David. Explain.
- 3) How much risk is there in any of the strategies that could be followed?
