

III Semester M.B.A. Examination, July 2010
C-13 : ENTREPRENEURSHIP DEVELOPMENT AND SMALL
BUSINESS MANAGEMENT
(Repeaters)

Time : 3 Hours

Max. Marks : 75

SECTION – A

1. Answer **any five** of the following sub-questions. Each sub-question carries **two** marks. **(5×2=10)**
- a) State the different types of entrepreneurs.
 - b) Define the term 'Motivation'.
 - c) Define social responsibility.
 - d) What are the main sources of finance ?
 - e) What do you mean by environment analysis ?
 - f) What is TRYSEM ?
 - g) What is rural entrepreneurship ?

SECTION – B

- Answer **any four** questions. Each question carries **five** marks. **(4×5=20)**
- 2. Explain the importance of entrepreneurs in an economy.
 - 3. Differentiate between entrepreneur and intrapreneur.
 - 4. Examine the financial problems of small enterprises.
 - 5. Explain the significance of industrial estates in developing entrepreneurship.
 - 6. Explain the various stages of project formulation.
 - 7. Describe the problems of women entrepreneurs. **P.T.O.**

SECTION – C

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

8. Critically examine the various theories of entrepreneurship.
9. What is network analysis ? Discuss its managerial uses.
10. Discuss the various steps taken by both central and state governments in developing entrepreneurship in the country.
11. Critically examine the future of small enterprises in the light of severe competition from big industrial concerns and MNCs.
12. What is industrial sickness ? Explain the measures taken by the Central Government to rehabilitate the sick units.

SECTION – D

13. Case Analysis : Compulsory. **(1×15=15)**

For the data given below, draw the network. Crash the activities and determine the optimal project duration and cost :

Activity	Normal time	Normal cost (Rs.)	Crash time	Crash cost (Rs.)
1-2	8	100	6	200
1-3	4	150	2	350
2-4	2	50	1	90
2-5	10	100	5	400
3-4	5	100	1	200
4-5	3	80	1	100

Indirect cost is Rs. 70 per day

II Semester M.B.A. (TM, FSM, HSM, FE) Examination, June/July 2010
PRODUCTION MANAGEMENT (NS)

Time : 3 Hours

Max. Marks : 80

SECTION – A

1. Answer **all** sub-questions. **Each** sub question carries **2** marks : **(2×5=10)**
- a) What is Operations System ?
 - b) What are the different types of production layouts ?
 - c) What are the types of inventories maintained by a manufacturing firm ?
 - d) What is Supply Chain Management ?
 - e) What factors affect location decisions ?

SECTION – B

Answer **any five** questions. **Each** question carries **7** marks. **(7×5=35)**

- 2. Why is Housekeeping an important facet of Total Quality System ?
- 3. Why are inventories maintained ?
- 4. Define :
 - a) Job design
 - b) Job content
 - c) Job enlargement
 - d) Job enrichment.
- 5. List at least 7 relevant aspects of JIT and Japanese manufacturing systems.
- 6. What are the objectives and methods of Materials Requirements Planning (MRP) ?
- 7. What is Aggregate Production Planning ? What are the basic considerations of Aggregate Planning Process ?
- 8. What are the different types of time components that make up a production cycle ? Briefly explain them.

P.T.O.

SECTION – C

Answer **any two** questions. **Each** question carries **10** marks :

(2×10=20)

9. Explain :

i) Time Study.

ii) Normal Time and formula for calculating the same.

iii) Standard Time and formula for calculating the same.

iv) Work sampling and formula for arriving at number of observations required to achieve desired accuracy in a work sampling study.

10. Write a note on forecasting and forecasting techniques.

11. Write a note on workforce scheduling.

12. The following data pertains to consumption pattern of a material in an organization. Classify as A, B and C category items.

Group	No. of Items	Consumption per Month	Price per Item
1	40	3000	90
2	20	270	100
3	100	1700	5
4	200	1500	4
5	60	340	50
6	300	2500	1
7	250	2000	2
8	30	170	500

SECTION – D

Answer **any one** question. **Each** question carries **15** marks :

(1×15=15)

13. A small manufacturer buys a set of steel brackets at Rs. 40 per pair. He does have the capacity to produce the same at his workshop. However he has to incur a fixed cost of Rs. 30,000 and a variable cost of Rs. 10 per pair of brackets. He has firm orders for 2000 assemblies each requiring a pair of brackets. His selling price is Rs. 16 per pair of brackets. What should he do ? Buy brackets or produce them himself.

14. Explain the following :

- i) Value Analysis.
 - ii) Capacity Planning.
 - iii) Problems of Operations Manager.
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Second Year M.B.A. Examination, July 2010
Course-IX : MARKETING MANAGEMENT

Time : 3 Hours

Max. Marks: 75

SECTION – A

Answer **any three** questions. **Each** question carries **15** marks. **(3×15=45)**

1. Explain the importance of modern marketing concepts in the marketing management.
2. Explain the importance of customer relationship management in creative marketing.
3. Discuss the challenges of global marketing manager in marketing of banking services.
4. Explain the factors that influence on middle class consumer's buying behavior in India.
5. Explain the factors influencing in selection of channels of distribution for FMCG.

SECTION – B

Answer **any two** questions. **Each** question carries **10** marks. **(10×2=20)**

6. Explain different types of new products.
7. Explain the problems of rural marketing in India.
8. What is market environment ? Explain its elements.
9. "Advertisement is the order of today's market" discuss.

P.T.O.

SECTION – C

10. Answer **any five** sub-questions. **Each** question carries **2** marks. **(5×2=10)**

- a) What is green marketing ?
 - b) What is market environment ?
 - c) Define target marketing.
 - d) What is skimming pricing strategy ?
 - e) Difference between price off and price discount.
 - f) Define consumer satisfaction.
 - g) What is creative marketing.
 - h) Define Branding.
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II Semester M.B.A. (HSM, FSM, TM, FE) Examination, June/July 2010
FINANCIAL MANAGEMENT (NS)

Time : 3 Hours

Max. Marks : 80

SECTION – A

Answer the following questions. **Each** question carries **2** marks. **(2×5=10)**

1. a) Define internal rate of return.
- b) How do you compute future value of an annuity ?
- c) Define standard deviation.
- d) What is operating Cycle ?
- e) What is meant by zero dividends ?

SECTION – B

Answer **any five** questions. **Each** question carries **7** marks. **(5×7=35)**

2. Define NPV. What are the Merits of NPV technique ?
3. Write a note on Treasury Bills and Certificate of Deposit.
4. Define Merger. Explain the motives for Merger.
5. Explain net operating income approach.
6. How do you manage the Currency Risk ? Explain with an example.
7. Briefly explain the various sources of working capital.
8. Discuss the guidelines for takeovers.

SECTION – C

Answer **any two** questions.

(2×10=20)

9. Discuss the major sources available to an Indian firm for raising foreign finances.
10. State the assumptions of Baumol's Model and discuss its limitations.
11. Explain in detail the different components of Cost of Capital.
12. Outline the structure of Indian money market and point out its deficiencies.

SECTION – D

Answer **one** question :

(1×15=15)

13. Explain the three important functions of finance manager.
14. Consider the following cash flows of mutually exclusive projects for Tokyo Rubber Company. Assume 10% discount rate.

Year	Dry prepeg	Solvent Prepeg
0	(20,00,000)	(10,00,000)
1	12,00,000	10,00,000
2	8,00,000	6,00,000
3	20,00,000	20,00,000

- a) Based on NPV, which project should be taken ?
 - b) Based on IRR, which project should be taken ?
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II Semester M.B.A. (TM, FSM, HSM, FE) Examination, June/July 2010
RESEARCH METHODS IN BUSINESS (NS)

Time : 3 Hours

Max. Marks : 80

SECTION – A

Answer **all** sub questions. **Each** question carries **two** marks : **(5×2=10)**

1. a) What are the scientific tenants of a research ?
- b) Mention the techniques of exploratory study.
- c) Define Research Problem.
- d) What is Snow-Ball sampling ?
- e) What is factor analysis ?

SECTION – B

Answer **any five** questions. **Each** question carries **seven** marks. **(5×7=35)**

2. Explain the importance of Research in Business Decision making.
3. Explain the precautions to be taken while considering secondary data.
4. Explain the types of measurement scales with suitable examples.
5. Discuss the role of alternative models in research and decision making.
6. What are the differences between Parametric and Non-parametric tests ?
7. Explain the preliminary steps involved in data analysis.
8. Give an outline of a research report.

P.T.O.

SECTION – C

Answer **any two** questions. **Each** carries **ten** marks.

(2×10=20)

9. Explain the steps involved in research design process.
10. What is probability sampling ? Explain the merits and demerits of various probability sampling methods.
11. Monthly sales revenue of salesmen follows normal distribution. The targeted mean of the monthly sales of a salesmen and their variance in the population are Rs.12 lakhs and Rs.16 lakhs, respectively. The regional marketing manager feels that the performance of the salesmen has improved in the recent past. A random sample of 36 salesmen is taken from the normal population for which the mean and monthly sales revenue is found to be Rs. 10.5 lakhs. Check whether the sales revenue of the salesmen has really improved at a significance level of 0.05.
12. Explain the steps involved in the Centroid method of factor analysis.

SECTION – D

Answer **any one** question. Carries **fifteen** marks.

(1×15=15)

13. The age of the employees in a company follows normal distribution with its mean and variance as 40 years and 120 years, respectively. If a random sample of 36 employees is taken from a finite normal population of a size 1000, what is the probability that the sample mean is ; (a) less than 45, (b) greater than 42 and (c) in between 40 and 42 ?
 14. Explain the data analysis process using statistical software with which you are familiar.
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Second Year M.B.A. Examination, July 2010
MANAGERIAL FINANCE (Elective – Group – A)
Course – 13 A : Financial Planning

Time : 3 Hours

Max. Marks : 75

SECTION – A

Answer **any three** questions. **Each** question carries **15** marks.

(3×15=45)

1. Explain the balance-sheet approach for making a complete forecast in financial planning.
2. If debt is cheaper than equity, why do companies not finance their assets with 80 or 90 per cent debt ratio ? Analyse.
3. Explain the different types of amortisation schedule of a term loan with the help of a simple example.
4. The following are the figures on the basis of which you have to compute the length of the gross operating cycle and net operating cycle :

Raw material inventory	– Rs. 9,00,000
Raw material consumption	– Rs. 45,00,000
Work-in-process inventory	– Rs. 3,50,000
Cost of production	– Rs. 51,00,000
Finished goods inventory	– Rs. 6,00,000
Cost of goods sold	– Rs. 52,00,000
Credit sales	– Rs. 48,00,000
Debtors	– Rs. 7,00,000
Creditors	– Rs. 9,00,000
Credit purchases	– Rs. 45,00,000

P.T.O.

5. Following is the summarised Balance Sheet of KHS Ltd. as on 31st March, 2009
Balance Sheet of KHS Ltd.
As on 31st March 2009

Liabilities	Rs.	Assets	Rs.
Share capital	12,00,000	Fixed Assets	5,00,000
Profit and Loss A/c	80,000	Stock	4,50,000
Sundry creditors	2,50,000	Sundry Debtors	2,50,000
		Cash and bank balance	3,30,000
	15,30,000		15,30,000

The management makes the following estimates for the year ending 31st March, 2010.

- a) Purchases up to February, 2010 Rs. 15,20,000 and during March, 2010 Rs. 1,05,000.
- b) Sales upto February, 2010 Rs. 22,40,000; and during March, 2010 Rs. 2,50,000.
- c) Management decided to invest Rs. 1,50,000 in purchase of fixed assets which are depreciated at 10%.
- d) The time lag for payment to creditors and receipts from debtors is one month.
- e) The business earns a gross profit of 33.33% on turnover. Sundry expenses against gross profit will amount to 12% of the turnover excluding depreciation on fixed assets.

Prepare a projected profit and loss a/c and the Balance Sheet of the company for the year ending 31st March, 2010.

SECTION – B

Answer **any two** questions. **Each** question carries **10** marks. **(2×10=20)**

6. “Financial intermediaries make financial markets more efficient”. What arguments would you put forward in support of this statement ?
7. What are the general concepts behind pooled investment ? Comment.

8. A company's financial position during 2009 was as follows :

	Rs.
Sales	3,00,000
Assets	2,00,000
Bills payable	20,000
Profit	15,000
Retention ratio	50%

Find out the additional fund requirement during 2010 if sales are expected to increase by 10%.

9. Everyday a company receives an average of Rs. 50,000 in the form of cheques. As per the practice the cheques are deposited with the banker only twice a week ; Wednesday and Friday. If the interest rate on bank overdraft is 16%, find out the weekly cost of float.

SECTION – C

10. Answer **any five** questions. **Each** question carries **2** marks. **(5×2=10)**

- a) What is financial planning ?
 - b) What are managed funds ?
 - c) What should you pay for a growth bond that gives you Rs. 500 in three years time and is supposed to yield 8.75% quarterly compound ?
 - d) What is meant by the risk-return trade-off ?
 - e) Define liquidity and marketability.
 - f) What is circulating capital ?
 - g) What is conservative approach to working capital financing ?
 - h) What are derivatives ?
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Second Year M.B.A. Examination, July 2010
ADVANCED MARKETING MANAGEMENT (Elective Group – B)
C – XIII B : Consumer Behaviour and Marketing Research

Time : 3 Hours

Max. Marks : 75

SECTION – A

Answer **any three** questions. **Each** question carries **15** marks : **(3×15=45)**

1. What are the stages involved in buying decision making process ?
2. Explain the procedure involved in carrying out marketing research.
3. Define Consumer Behaviour. What is the importance of consumer behaviour in marketing ?
4. How can an understanding of attitudes be useful in Consumer Behaviour ?
5. Define Motivation. Explain the theories of motivation.

SECTION – B

Answer **any two** questions. **Each** question carries **10** marks : **(2×10=20)**

6. Explain EKB Model.
7. Explain the marketing implication of Pavlovian Learning Model of buyer behaviour.
8. What are the scientific methods of analysing consumer behaviour ?
9. What are the various techniques in marketing research ?

P.T.O.

SECTION – C

10. Answer **any five** questions. **Each** question carries **2** marks : **(5×2=10)**

- a) What is Reference group ?
 - b) What are the types of research design ?
 - c) Define life style segmentation.
 - d) What do you mean by primary data ?
 - e) Define family.
 - f) What are the limitations of Marketing research ?
 - g) What is cognitive dissonance ?
 - h) Define social class.
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Second Year M.B.A. Degree Examination, July 2010
Elective – Group A : MANAGERIAL FINANCE
Course – XIV A : Capital Investment Decisions

Time : 3 Hours

Max. Marks : 75

Instruction : Attempt all Sections. Calculators are allowed.

SECTION – A

Answer **any three** questions. **Each** question carries **15** marks : **(3×15=45)**

1. Describe the different types of capital investment decisions with suitable examples.
2. Under what circumstances do the Net Present Value and internal rate of return methods give conflicting recommendations ? Which method do you prefer and why ?
3. Differentiate between sensitivity and scenario analysis. What advantages does scenario analysis have over sensitivity analysis ?
4. Relevant information as gathered for existing machine and proposed replacement are furnished below :
 - i) Existing machine :

Life : 8 years (6 years remaining)
Salvage value Rs. 2000
Annual depreciation on SLM is Rs. 4000
Current book value and market value of the machine are Rs. 26,000 and Rs. 30,000 respectively.
 - ii) Replacement machine :

Investment Rs. 78,000, useful life 6 years with no salvage value. It is given that replacement would enhance production and as a result, sales is expected to increase by Rs. 10,000 p.a. with impact in other operating parameters in the following line.
Operating expenses to decline by Rs. 15,000 p.a. additional inventory of Rs. 20,000 and increase in creditors by Rs. 5,000. Given the corporate tax rate at 35% and cost of capital 15%.
Advice whether replacement proposal would be accepted.

P.T.O.

5. Excel industries is considering a proposed project for its capital budget. The company estimates that the project's NPV is \$ 12 million. This estimate assumes that the economy and the market conditions will be average over the next few years. The company's CFO however assumes that there is only 50 percent chance that the economy will be average. Recognizing this uncertainty, she has also performed the following scenario analysis.

Economic Scenario	Probability of Outcome	NPV (\$)
Recession	0.05	(70 million)
Below average	0.20	(25 million)
Average	0.50	12 million
Above average	0.20	20 million
Boom	0.05	30 million

What is the project's expected NPV, Its Standard deviation and its coefficient of variation ?

SECTION – B

Answer **any two** questions. **Each** question carries **10** marks : **(2×10=20)**

6. Explain the differences between conventional and non-conventional cash flows. Illustrate with an example.
7. Explain the Certainty Equivalent Approach in capital budgeting and its limitations.
8. Band-box is considering the purchase of a new wash and dry equipment in order to expand its operations. Two types of options are available: a Low Speed System (LSS) with a Rs. 20,000 initial cost and a High Speed System (HSS) with an initial cost of Rs. 30,000. Each system has a life of 15 years and no salvage value. The Net Cash Flows After Taxes (CFAT) associated with each investment proposal are :

	Low Speed System (LSS)	High Speed System (HSS)
CFAT for years 1 through 15	Rs. 4000	Rs. 6000

Which speed system should be chosen by Band-Box, assuming 14 percent cost of capital ?

9. A firm has projected the following cash flows from a project under evaluation.

Year	0	1	2	3
Rs. (Lakhs)	(70)	20	40	30

The above cash flows have been made at expected prices after recognizing inflation. The firm's cost of capital is 10%. The expected annual rate of inflation is 5%. Show how the viability of the project is evaluated.

SECTION – C

10. Answer **any five** questions. **Each** question carries **2** marks : **(5×2=10)**

- a) Define capital budgeting.
 - b) What are mutually exclusive projects ?
 - c) What is benefit-cost ratio ?
 - d) What is multiple IRR ?
 - e) State the measures of risk.
 - f) State the advantages of Accounting Rate of Return.
 - g) What do you mean by cut-off rate ?
 - h) What do you mean by incremental cash flow ?
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Second Year M.B.A. Examination, July 2010
HUMAN RESOURCE MANAGEMENT (Elective) (Group C)
Course XIV C : Organisational Development

Time : 3 Hours

Max. Marks : 75

SECTION – A

Answer **any three** of the following. **Each** question carries **fifteen** marks. **(3×15=45)**

1. Describe the components in the organizational development process.
2. Explain in detail Kurt-lewin's model of change.
3. Explain the process of Action Research.
4. Examine the role of a consultant in organisation development.
5. Discuss the various inter-group team building interventions.

SECTION – B

Answer **any two** of the following. **Each** question carries **10** marks. **(2×10=20)**

6. List and discuss the assumptions OD practitioners have about the nature and functioning of organizations.
7. Discuss the values and philosophy OD practitioners are required to follow as change agents.
8. What is process-consultation ? Explain the stages in process consultation.
9. Examine the reasons for employee resistance to change efforts ?

P.T.O.

SECTION – C

10. Answer **any five** of the following questions. **Each** carries **two** marks. **(5×2=10)**

- a) Contrast planned and Unplanned change.
 - b) What are the features of creative teams ?
 - c) What is organisational Mirroring ?
 - d) What is Unfreezings ?
 - e) What do you mean by second order change ?
 - f) List team intervention techniques.
 - g) List structural intervention techniques.
 - h) What do you understand by planned change ?
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Third Year M.B.A. Examination, July 2010
Elective Group – B : ADVANCED MARKETING MANAGEMENT
Course – XXB : International Marketing

Time : 3 Hours

Max. Marks : 75

SECTION – A

1. Answer **any five** questions. **Each** question carries **two** marks : **(5×2=10)**
- a) Define international marketing.
 - b) What is a customs union ?
 - c) What is a franchising ?
 - d) What is bill of exchange ?
 - e) What is international trade ?
 - f) What is MFN treatment ?
 - g) What is free trade agreement ?

SECTION – B

- Answer **any two** questions. **Each** question carries **10** marks : **(2×10=20)**
- 2. Discuss the impact of political environment on international marketing.
 - 3. Explain the role of ECGC in international marketing.
 - 4. Explain the role of Export trade in India's economic development.
 - 5. Discuss the steps in conducting market research.

P.T.O.

SECTION – C

Answer question No. **10 (compulsory)** and **any two** of the following. **Each** question carries **15** marks. **(3×15=45)**

6. Discuss the distribution strategies in international marketing.
7. Explain different types of regional integration with examples.
8. Describe in detail the export documentation procedures followed by Indian exporters.
9. Describe the role of FTZs in promoting trade.
10. Analyse the case given and answer the questions given at the end.

Mahindra and Mahindra (M & M) is a major player in the tractor and certain segments of the automobile market in India. After an impressive growth for a few years, the tractor market in India has been stagnating during 1998-99 2000-01. M & M has been selling its tractors and utility vehicles in foreign markets including USA. Some of the components for its products have been sourced from abroad. M & M has a 100 percent subsidiary in USA, Mahindra USA, with a strong network of 100 dealers.

Mahindra has a five-percent market share in the US market in the 28-30 horse power (HP) range.

As a part of the strategy aimed at building a global supply chain, Mahindra USA has signed a memorandum of understanding (MoU) with the Korean tractor major Tong Yang, a part of the \$2 bn Tong Yang Moolsam group, according to which Mahindra will source high horse power (mostly 25-40 hp range) and sell them around the world under the M & M brand name. To start with, the premium range of tractors will be sold in the US.

M & M's current tractor range is more utility-oriented and lacks the aesthetic appeal that Tong Yang's tractors have, a must for a strong presence in the US market.

Questions :

- 1) What are the advantages and disadvantages of global sourcing ?
 - 2) How will the foreign market expansion help M & M ?
 - 3) How does the strategic alliance with Tong Yang benefit M & M ?
 - 4) What are the possible risks of the alliance ? How can they be overcome/ minimised ?
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II Semester M.B.A. (F.E.) Examination, June/July 2010
FINANCIAL MATHEMATICS (OS)

Time : 3 Hours

Max. Marks : 80

SECTION – A

Answer **all** questions. **Each** question carries **two** marks. **(2×5=10)**

1. a) What is Gamma ?
- b) What is a covered call ?
- c) What is implied volatility ?
- d) Define Delta hedging.
- e) What is the currency future ?

SECTION – B

Answer **any five** questions. **Each** carries **seven** marks. **(5×7=35)**

2. Explain implied volatilities.
3. What does duration tell you about the sensitivity of a bond portfolio to interest rate ?
4. Would you expect the volatility of a stock index to be greater or less than the volatility of a stock.
5. Explain put-call parity relationship.
6. Explain Martingale representation theorem.
7. The S and P 100 index currently stands at 696 and has volatility of 30% per annum. The risk-free rate of interest is 7% per annum and index provides a dividend yield of 4% per annum. Calculate the value of a 3 month European put with strike price 700.
8. A futures price is currently 50, at the end of 6 months it will be either 46 or 56. The risk free interest rate is 6% per annum. What is the value of a 6 month European call option with a strike price of 50.

P.T.O.

SECTION – C

Answer **any two** questions. **Each** question carries **ten** marks

(2×10=20)

9. Explain why the forward interest rate is less than the corresponding futures interest rate calculated from a Euro dollar futures contract.
10. Assume that a bank can borrow or lend money at the same interest rate in the LIBOR market. The 90 day rate is 10% per annum and the 180 day rate is 10.2% per annum. The Euro-dollar futures price for a contract maturing in 91 days is quoted as 89.5. What arbitrage opportunities are open to the bank ?
11. A stock currently costs Rs. 40, one year from now it will pay a dividend of 5% of its price at the time of the payment and the same happens two years from now. Determine the forward price of the asset for delivery in 2.5 years. The interest rate is 7% a year.
12. A futures price is currently 25, its volatility is 30% per annum and risk-free interest rate is 10% per annum. What is the value of a 9 month European call on the futures with a strike price of 26 ?

SECTION – D

Answer **any one** question. Carries **fifteen** marks.

(1×15=15)

13. A futures price is currently 35. A European call option and a European put option on the futures with a strike price of 34 are both priced at 2 in the market. The risk-free interest rate is 10% per annum. Identify an arbitrage opportunity. Both options have one year to maturity.
 14. Calculate the price of a 3 month European put option on a non-dividend paying stock with a strike price of Rs. 50 when the current stock price is 50, the risk-free interest rate is 10% per annum and the volatility is 30% per annum.
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II Semester M.B.A. (F.E.) Examination, June/July 2010
FUNDAMENTALS OF FINANCIAL ECONOMICS (OS)

Time : 3 Hours

Max. Marks : 80

SECTION – A

Answer **all** questions. **Each** question carries **two** marks : **(2×5=10)**

1. a) Define CAPM.
- b) What is CML ?
- c) What do you mean by arbitrage process ?
- d) How to price financial asset ?
- e) What is an incomplete market ?

SECTION – B

Answer **any five** questions. **Each** carries **seven** marks. **(5×7=35)**

2. What is the impact of keeping up with the Joneses behaviour on asset prices and portfolio choice.
3. Write a note on Fama and French three factor model.
4. What are the investment implications of CAPM ?
5. Define stochastic economics and how this concept is asset pricing.
6. Explain the three forms of market efficiencies.
7. Explain Hansen's Generalized method of Moments (GMM) approach to test the continuous time.
8. Discuss how to price a financial asset ?

P.T.O.

SECTION – C

Answer **any two** questions. **Each** carries **ten** marks.

(2×10=20)

9. Explain the contributions of Lucas with respect to CAPM approach.
10. “The production-based model is explicitly analogous to the consumption-based model.” – Elucidate.
11. Explain the active portfolio strategy.
12. Explain the Hall’s random walk hypothesis with respect to rational expectations permanent income hypothesis.

SECTION – D

Answer **any one** question. Each question carries **fifteen** marks.

(1×15=15)

13. The dividends on the equity shares of Reliance Ltd have been experiencing a growth rate of 15% per annum in the recent years, which is considered to be above normal. The above normal growth rate in dividends is expected to continue for five years after which the growth rate stabilizes and reduce to 6% per annum, which continues indefinitely. The company has recently announced a dividend of Rs. 2.50/share. The required rate of return on the equity shares is 18%. You are required to find out the value of this equity share.
 14. Define and differentiate between CAPM and APT model.
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II Semester M.B.A. (F.E.) Examination, June/July 2010
THE DERIVATIVES (Financial and Commodity) (OS)

Time : 3 Hours

Max. Marks : 80

SECTION – A

Answer the following. **Each** question carries **2** marks : **(5×2=10)**

1. a) What is short selling ?
- b) Define a forward contract.
- c) Mention the players in derivative market.
- d) State the need for derivatives.
- e) What is a put option ?

SECTION – B

Answer **any five** questions. **Each** question carries **seven** marks : **(5×7=35)**

2. Explain the assumptions of B - S model.
3. Distinguish between futures and forward contract.
4. Explain the risk neutral pricing.
5. Explain alternative approach of pricing option.
6. Explain the pricing kernel.
7. Explain hedge ratio. How is it determined ?
8. Explain the martingale representation theorem.

P.T.O.

SECTION – C

Answer **any two** questions. **Each** carries **ten** marks :

(2×10=20)

9. Explain briefly stylized fact and Black-scholes methodology.
10. Explain briefly various types of margins.
11. Explain the optimal future hedge.
12. What is the price of a 6 months call option on the rupee - dollar rate at an exercise price of 47 when the spot rate is 45 and the Indian interest rate is 7.5% the US interest rate is 5% and volatility of the exchange rate is 11% ? Assume both the interest rates on simple interest basis.

SECTION – D

Answer **any one** question. Carries **15** marks :

(1×15=15)

13. A stock sells for Rs. 150. One year from today, it will sell for either 215/share or 100 per share. The risk free interest rate is 8%. Illustrate how an arbitrage profit can be earned.
 14. The stock of ABC is sold at Rs. 50/share. A call option with strike price of 47 for 3 months is available at Rs. 5/share. The risk free rate of interest is 8%. The standard deviation is 4%. Find the value of the option with BSM.
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II Semester M.B.A. (F.E.) Examination, June/July 2010
ACCOUNTING AND TAXATION ASPECTS OF DERIVATIVES (OS)

Time : 3 Hours

Max. Marks : 80

SECTION – A

1. Answer **any five** questions. **Each** question carries **2** marks : **(5×2=10)**
- a) What is a riskless hedge ?
 - b) What is CDS ?
 - c) What is CDO ?
 - d) What is STT ?
 - e) What is ETF ?
 - f) What is a butterfly spread ?

SECTION – B

- Answer **any five** questions. **Each** question carries **seven** marks : **(5×7=35)**
- 2. How is the capital gain earned by a Stock Trader Taxed ?
 - 3. Explain the mechanism of Option Trading on NSE ?
 - 4. How is capital gain a securities computed ?
 - 5. How is employee stock option treated in computing income-tax of the recipient ?
 - 6. What are the accounting standards applicable to foreign currency derivatives held by export-import firms ?
 - 7. Explain the mechanism of credit default swaps.
 - 8. How is profit made by a derivatives trader taxed ?

P.T.O.

SECTION – C

Answer **any two** questions. **Each** question carries **10** marks :

(2×10=20)

9. Distinguish between Arbitrage, Hedging and Speculation.
10. Describe Index future and its trading.
11. What are option Greeks ?
12. Illustrate a perfect Hedge.

SECTION – D

Answer **any one** question. **Each** question carries **15** marks.

(1×15=15)

13. Explain the features of stock futures and option allowed on NSE.
 14. Explain the operation of MCX-SX and NCDEX.
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