



The Institute of  
Bankers Pakistan

**Time Allowed: 3 Hours**

**Maximum Marks: 100**

**Date: November 22, 2022**

**Financial Derivatives  
AIBP (Specialization)**

**Roll No:**

Instructions:

- i. Attempt ALL questions;
- ii. Answers must be neat, relevant and brief;
- iii. In marking the question paper, the examiners take into account clarity of exposition, logic of arguments, presentation and language;
- iv. Read the instructions printed inside the top cover of answer script CAREFULLY before attempting the paper;
- v. DO NOT write your Name, Access No. or Roll No. etc. anywhere inside the answer script(s);
- vi. Candidates are advised not to mark any of the objective answer on the Question Paper, otherwise their paper will be cancelled;
- vii. Question Paper must be returned to invigilator before leaving the examination hall;

**SECTION B: SUBJECTIVE**

**Attempt ALL Questions.**

**(40 Marks)**

**Q1.** Differentiate between:

**A.** Credit Risk and Interest Rate Risk.

**(06 Marks)**

**B.** Options and Futures Contract

**(06 Marks)**

**Q2.** A call option with an exercise price of Rs. 200 is bought for Rs. 12. On expiry date the underlying value of option is Rs. 205. Should the call option be exercised? Justify your answer with reasoning.

**(05 Marks)**

**Q3.** Your company has a subsidiary in an overseas country, which had put restrictions on repatriation of profits. Suggest the ways how you will tackle the situation in order to repatriate the funds from subsidiary company.

**(05 Marks)**

**Q4.** State the advantages and disadvantages of Currency Futures. (TWO each)

**(06 Marks)**

**Q5.** Discuss the various internal hedging techniques for an organization to hedge against foreign exchange risk.

**(06 Marks)**

**Q6.** Discuss the following terms with reference to options contracts:

**(06 Marks)**

**A.** In the money

**B.** Out of the money

**C.** At the money

**X ----- END OF PAPER ----- X**