21P445 (Pages: 2) Name: .....

Reg.No: .....

FOURTH SEMESTER M.Com. DEGREE EXAMINATION, APRIL 2023

(CBCSS - PG)

(Regular/Supplementary/Improvement)

CC19P MCM4 C14 - FINANCIAL DERIVATIVES AND RISK MANAGEMENT

(Commerce)

(2019 Admission onwards)

Time : 3 Hours Maximum : 30 Weightage

Part-A

Answer any ***four*** questions. Each question carries 2 weightage.

1. What are forward contracts?
2. Define Warrants.
3. What is open interest?
4. What is value at risk?
5. What are exchange traded options?
6. What are covered calls?
7. Define swap derivatives.

(4 × 2 = 8 Weightage)

Part-B

Answer any ***four*** questions. Each question carries 3 weightage.

8. Who are hedgers? What are their functions in the derivative market?
9. Who are arbitrageurs? What are their functions in the derivative market?
10. Discuss the relationship between futures price and forward price.
11. How is a call bear spread formed? Explain the pay off profile of call bear spread.
12. State briefly the various factors affecting option price.
13. Make a comparative study of options and swaps.
14. What are the taxation aspects of forwards and futures?

(4 × 3 = 12 Weightage)

Part-C

Answer any ***two*** questions. Each question carries 5 weightage.

15. Discuss the risk- return profile of option contracts.

16. State the Black and Scholes formula for the valuation of European call option.

17. How would you convert a floating rate liability into a fixed rate liability using swap? Draw a diagram to explain your answer.

18. An investor writes a call option on one share of Sun Ltd. at a strike price of Rs. 160 at a premium of Rs. 6 per share. The maturity date is three months and buys a share of same in the spot market at Rs.158 per share. Prepare payoff table and graph.

(2 × 5 = 10 Weightage)

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