FOURTH SEMESTER M.Com. DEGREE EXAMINATION, JUNE 2015

(CUCSS)

Commerce

MC4E (FM) 04—FINANCIAL DERIVATIVE

Time : Three Hours   Maximum : 36 Weightage

Part A

Answer all questions.
Each question carries a weightage of 1.

1. What is inter-currency spread ?

2. When is a put option out-of-money ?

3. What is value at risk margin ?

4. Define the term mark to market.

5. Distinguish between Put option and Call option.

6. What do you understand by derivative markets ?

$(6 \times 1 = 6$ weightage)

Part B

Answer any six questions.
Each question carries a weightage of 3.

7. Discuss the different types of option contracts.

8. Under what circumstances are a short hedge and a long hedge appropriate ? Explain with example.

9. Explain the evolution of derivatives trading in India.

10. What is speculation ? How it is different from arbitrage ?

11. Explain the surveillance system adopted in BSE.

12. Discuss the binomial option and pricing model.

13. Why does an investor need stock market indices ? How are they built ?

14. What is open interest ? How it is calculated ? Give suitable example.

$(6 \times 3 = 18$ weightage)

Turn over

Part C

Answer any two questions.

Each question carries a weightage of 6.

15. Name some of the well-known national and international stock indices. How is BSE sensit index constructed ?

16. Make a comparative analysis of profit made out of purchase of stocks, bonds and options.

17. State the membership requirement of NSE in the capital and debt market segments.

$(2 \times 6 = 12$ weighta