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(Pages: 2)

Name:

Reg. No:

SIXTH SEMESTER B.Com. DEGREE EXAMINATION, APRIL 2022

(CUCBCSS-UG)

CC17U BC6 B14 - FINANCIAL DERIVATIVES

(Commerce – Core Course)

(2017, 2018 Admissions – Supplementary/Improvement)

Time: Three Hours

Maximum: 80 Marks

Part A

Answer *all* questions. Each question carries 1 mark.

Choose the correct answer:

1. Using futures contracts to transfer price risk is called:
a) Diversifying b) Speculating c) Arbitrage d) Hedging
2. Which of the following has the right to sell an asset at a predetermined price?
a) A put writer b) A put buyer c) A call buyer d) A call writer
3. Which of the following investment strategies has unlimited profit potential?
a) Bull spread b) Protective put c) Covered call d) Writing a call
4. The financial institution that guarantees both sides of a future trade is called the:
a) SEC b) futures exchange
c) futures commission merchant d) clearinghouse
5. The basis is defined as:
a) spot price minus forward price b) futures price minus spot price
c) spot price minus futures price d) forward price minus spot price

Fill in the blanks:

6. When swaps are combined with options and forwards, we derive
7. is the number of futures contracts outstanding?
8. At expiration, option has no value
9. is a contract between two parties whereby one party acquire the right, but not the obligation, to buy or sell.
10. In derivative trading, a is a binding commitment to buy or sell a commodity or financial instrument, for a given price?

(10 × 1 = 10 Marks)

Part B

Answer any *eight* questions. Each question carries 2 marks.

11. What are covered calls?
12. Define straddle.
13. Define forward contract?
14. What is strip?
15. What is long hedge?
16. Define cost of carry.
17. Name a stock exchange where derivatives are traded in India.
18. Define Equity swap
19. What is underlying asset?
20. What is arbitrage?

(8 × 2 = 16 Marks)

Part C

Answer any *six* questions. Each question carries 4 marks.

21. What are the different types of options?
22. What is margin system? What are the different types of margins?
23. “Derivatives are effective risk management tool” comment on this statement?
24. How are options different from futures?
25. What are the economic functions of derivative contracts?
26. What are the advantages of swaps?
27. Distinguish between Intrinsic value and Time Value.
28. Explain about major players in derivative markets.

(6 × 4 = 24 Marks)

Part D

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

29. Explain the regulatory framework of derivative trading in India.
30. Discuss about trading strategies in Futures Contract.
31. What are the risk management functions of swap transactions?

(2 × 15 = 30 Marks)
