

**19U638**

(Pages: 2)

Name: .....

Reg.No: .....

**SIXTH SEMESTER B.Com. DEGREE EXAMINATION, APRIL 2022**

(CBCSS - UG)

**CC19U BCM6 B15 - FINANCIAL DERIVATIVES**

(Commerce - Elective Course)

(2019 Admission - Regular)

Time : 2.5 Hours

Maximum : 80 Marks

Credit : 5

**Part A** (Short answer questions)

Answer *all* questions. Each question carries 2 marks.

1. What are forward contracts?
2. What are baskets?
3. What is risk assessment?
4. What is spot date?
5. Define arbitration.
6. What is price volatility?
7. Define stock index.
8. What is basis risk?
9. What is hedge ratio?
10. Define option.
11. What is exercise price?
12. Define short straddle.
13. Define swaption.
14. What is Roller-coaster swap?
15. What is digital swap?

**(Ceiling: 25 Marks)**

**Part B** (Paragraph questions)

Answer *all* questions. Each question carries 5 marks.

16. What are the different types of risk involved in derivative trading?
17. What are the factors driving the growth of derivatives?
18. Explain briefly the functions of major players in the derivative markets.
19. Distinguish between speculation and arbitrage.
20. Explain briefly the various types of financial futures.
21. What is put bear spread? List its features.
22. How is a call bear spread formed? Explain the pay off profile of call bear spread.
23. Discuss the process of interest rate swap.

**(Ceiling: 35 Marks)**

**Part C** (Essay questions)

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

24. “Derivatives are financial products for management of exchange risk”. Do you agree? Give reasons for the support of your answer.
25. Analyse the importance of interest rate futures. What are the applications of interest rate futures?
26. What are the advantages of options over the futures and forwards?
27. “Swap is a private agreement between two parties in which both parties are obligated to exchange some specified cash flows at periodic intervals”. Explain.

**(2 × 10 = 20 Marks)**

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