

20P441

(Pages: 2)

Name:

Reg. No:

FOURTH SEMESTER M.Com. DEGREE EXAMINATION, APRIL 2022

(CBCSS - PG)

(Regular/Supplementary/Improvement)

CC19P MCM4 C14 - FINANCIAL DERIVATIVES & RISK MANAGEMENT

(Commerce - Core Course)

(2019 Admission onwards)

Time: Three Hours

Maximum: 30 Weightage

Part A

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

1. Who are *Arbitrageurs*?
2. What are *Underlying Assets*?
3. The Spot Price of Gold is ₹. 4000 per gram. Annual interest rate is 12%. Assuming that carrying cost comprises only financing cost; calculate the futures price of the gold to be delivered in 6 months. Use Cost of Carry Model.
4. What is meant by the concept, *Butterfly Spread*?
5. Write a note on: (a) LIBOR (b) Contango
6. Define *Value-at Risk*.
7. The share of X Ltd. Stands for ₹. 120; put options with a strike price of ₹. 130 priced at ₹. 15. Calculate the *Intrinsic Value* and the *Time Value* of Options.

(4 × 2 = 8 Weightage)

Part B

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

8. Examine the important applications of Interest Rate Swaps.
9. Discuss briefly the characteristics of Binomial Option Pricing Model.
10. The stock price of Akash Ltd. In spot market is ₹. 450 and two-month option contract is of ₹. 450. The price of the option is ₹. 20 per share. At what price will the option be *at-the-money*, *out-of-money* and *in-the-money*; if the options are both *call* and *put options*?
11. "Futures are improvised versions of Forward contracts". Do you agree? Substantiate.
12. Distinguish between Hedgers and Speculators. Enlist their functions in Derivatives market.
13. Outline the various Risk Management issues faced in Business today with valid examples.

14. Picturise the different Fundamental Options Trading strategies.

(4 × 3 = 12 Weightage)

Part C

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

15. Distinguish between Systematic Risk and Unsystematic Risk. Analyse the economic contributions of financial derivatives in managing such risks.

16. Describe in detail the classifications in Futures market.

17. “Options are more advantageous over Futures and Forwards”. Critically evaluate this statement.

18. From the following information, calculate the Call Option and Put Option values by using Black Scholes formula:

S	₹. 280
E or X	₹. 260
r	0.08
t	8 months
N(d ₁)	0.5998
N(d ₂)	0.4112
Expected Dividend	₹. 12 after 6 months

(2 × 5 = 10 Weightage)
