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Name :

Reg. No :

SIXTH SEMESTER B.Com. DEGREE EXAMINATION, APRIL 2025

(CBCSS-UG)

(Regular/Supplementary/Improvement)

CC19U BCM6 B15 - FINANCIAL DERIVATIVES

(Commerce: Finance - Elective Course)

(2019 Admission onwards)

Time: 2.5 Hours

Maximum : 80 Marks

Credit : 5

Part A (Short answer questions)

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

1. Distinguish between OTC derivatives and exchange traded derivatives.
2. What is financial product?
3. What is risk management?
4. What is a derivative market?
5. What is cash market?
6. What is electronic exchange?
7. What is open interest?
8. Define stock index.
9. Define cash and carry arbitrage.
10. What is exercise price?
11. Distinguish between American option and European option.
12. Define naked calls.
13. What do you understand by LIBOR?
14. What is total return swap?
15. What is corridor swap?

(Ceiling: 25 Marks)

Part B (Paragraph questions)

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

16. How are the derivatives classified?
17. Explain about the risk management process of derivatives.

18. Distinguish between hedging and speculation.
19. Distinguish between cash market and derivative market.
20. What is margin system? What are the different types of margins?
21. Explain put option with the help of an example.
22. When is a bull spread used for hedging? What is the cost involved in taking a position in bull spread?
23. Define an interest rate swap. Give a suitable example.

(Ceiling: 35 Marks)

Part C (Essay questions)

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

24. Highlight the various functions of derivatives.
25. Discuss the various strategies of hedging with stock index futures.
26. How are strangles different from straddles? Explain about each of these in detail.
27. Discuss the various types of swaps and their features.

(2 × 10 = 20 Marks)
