FOURTH SEMESTER M.Com. DEGREE EXAMINATION, APRIL 2025

(CBCSS-PG)

(Regular/Supplementary/Improvement)

CC19P MCM4 C14 - FINANCIAL DERIVATIVES AND RISK MANAGEMENT

(Commerce)

(2019 Admission onwards)

Time: 3 Hours　　　　　　　　　　　　　　　　　　　　　　Maximum: 30 Weightage

Part-A

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

1. Define financial derivatives.

2. Define LEAPS.

3. Define stock index.

4. What is long hedge?

5. What do you mean by long position in the call option?

6. What are covered calls?

7. Define swaption.

(4 × 2 = 8 Weightage)

Part-B

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

8. Explain briefly the major players in the derivative markets.

9. Who are speculators? What are their functions in the derivative markets?

10. What is open interest? How is it calculated?

11. Enumerate the different types of option.

12. What are the advantages of binomial option pricing model?

13. What is a financial swap? What are the salient features of a swap?

14. What is cross-currency interest rate swap?

(4 × 3 = 12 Weightage)

Part-C

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

15. Discus the important hedging strategies using option.

16. Discuss the binomial option pricing. What are the assumptions and limitations of this model?

17. If firm has invested funds in securities providing floating rate of income, what risk does it face? How would you hedge such risk using an interest rate swap?

18. An investor buys a call option on one share of Moon Ltd. with a strike price of Rs. 160 at a premium of Rs. 6 per share. The maturity date is three months from now and sells a share of same in the spot market at Rs. 158 per share. Prepare payoff table and graph.

(2 × 5 = 10 Weightage)

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