



QP CODE: 22002101



22002101

Reg No :

Name :

M.Com DEGREE (CSS) EXAMINATION, AUGUST 2022

Fourth Semester

Elective - CM800401 - DERIVATIVES AND RISK MANAGEMENT

M.Com FINANCE AND TAXATION, M.Com FINANCE AND TAXATION (SF)

2019 ADMISSION ONWARDS

F875FD5B

Time: 3 Hours

Weightage: 30

Part A (Short Answer Questions)

*Answer any **eight** questions.*

Weight 1 each.

1. Compute the terminal value of an investment of Rs.15,000 invested for 2 years at annual interest rate of 14.15% (assume continuous compounding of interest).
2. What do you know about Monte Carlo Simulation method?
3. What are direct and indirect quotes of exchange rates? Give examples.
4. What do you know about IRP Theory?
5. What is 'basis' in futures trading? How is 'basis' calculated?
6. Explain the concept of 'Marking-to-market' in futures trading.
7. What is a Contango market?
8. Distinguish between Futures and Options.
9. What are Option Greeks?
10. How Liability Swap is different from Asset Swap?

(8×1=8 weightage)

Part B (Short Essay/Problems)

*Answer any **six** questions.*

Weight 2 each.

11. Explain the growth and development of Indian derivative market.
12. Discuss the various risks in currency market.





13. The stock of IPL Ltd. is expected to pay a dividend of Rs.8 per share in 3 months and again in 6 months. The current stock price is Rs.420 and the risk free interest rate is 8% p.a. What should be the price of an 8 month forward contract on the IPL Ltd.'s stock?
14. Consider a 6-month Gold futures contract of 10 grams. The spot price is Rs.600 per gram and risk free rate is 12%. a. Calculate the theoretical fair price of the contract. b. What would be your strategy, if the futures contract is available at Rs. 660? c. What would be your strategy, if the futures contract is available at Rs. 620?
15. Explain the clearing and settlement process in currency futures.
16. The stock price of RIL in spot market is Rs.2,225 and two month option contract is trading at Rs 2245. At what prices the option will be at-the-money, out-of-money and in-the-money, if both call as well as put options of RIL at same strike price are available?
17. What are the factors affecting option prices according to Black-Scholes model?
18. Explain how Swaps helps in reducing cost of financing.

(6×2=12 weightage)

Part C (Essay Type Questions)

Answer any two questions.

Weight 5 each.

19. What are derivatives? Give a brief account of important types of derivatives. Explain the limitations of derivatives.
20. Explain forward contract with an example. Discuss the advantages and disadvantages of forward contracts.
21. Explain interest rate futures along with its features. Also explain various types of investors operating in the interest rate futures market.
22. What are the fundamental option strategies? Explain the terminology and the features of option.

(2×5=10 weightage)

