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(Pages : 2)

Name.....

Reg. No.....

**FOURTH SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY)
EXAMINATION, APRIL 2025**

(CBCSS)

M.Com.

MCM 4C 14—FINANCIAL DERIVATIVES AND RISK MANAGEMENT

(2019 Admission onwards)

Time : Three Hours

Maximum : 30 Weightage

*Answer should be written in English only.***Part A***Answer any **four** questions.**Each question carries 2 weightage.*

1. Define financial derivatives
2. What is Arbitrage ?
3. What is long position ?
4. What is cross hedge ?
5. Define Option
6. What do you mean by European option ?
7. What is Vega ?

(4 × 2 = 8 weightage)

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

8. Describe the process of risk management.
9. Who is a Speculator ? Explain the functions of a speculator.
10. SEBI plays a pivotal role in protecting the interest of investors in the derivatives market. Elucidate.
11. Differentiate between perfect hedge and imperfect hedge.

Turn over

12. Explain the Black-Scholes Pricing model.
13. Differentiate between Interest rate swaps and Currency swaps.
14. Differentiate between futures and forwards.

(4 × 3 = 12 weightage)

Part C

Answer any two questions.

Each question carries 5 weightage.

15. What do you mean by derivatives ? Explain the types of derivatives with their characteristics.
16. Explain the theories of future pricing.
17. What are Swaps ? Explain the different types of swaps and their characteristics.
18. Discuss the recent trends in derivatives trading in India.

(2 × 5 = 10 weightage)

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Name.....

Reg. No.....

**FOURTH SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY)
EXAMINATION, APRIL 2024**

(CBCSS)

Master of Commerce

MCM4C14—FINANCIAL DERIVATIVES AND RISK MANAGEMENT

(2019 Admission onwards)

Time : Three Hours

Maximum : 30 Weightage

*Answers should be written in English only.***Part A**

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

1. Distinguish between Pure risk and Speculative risk.
2. What do you mean by Enterprise Risk Management ?
3. What is the main objective of Risk Management ?
4. What is Asian Option ?
5. What is VAR ?
6. What is Long Hedge ?
7. What is Contango market ?

(4 × 2 = 8 weightage)

Part B

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

8. Explain history of Derivative trading in India.
9. Briefly explain the classifications of Derivatives.
10. Write short note on: (a) Straddle, (b) Initial Margin, (c) Option Premium.
11. Explain the process of risk management.
12. Distinguish between Futures and Options.
13. Who are Arbitrageurs? Discuss their functions in the derivative markets.
14. Explain Binomial Option Pricing Model.

(4 × 3 = 12 weightage)

Turn over

Part C

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

15. What is risk ? Explain different types of risk.
16. Explain Black Scholes Option Pricing Model.
17. Explain different Option trading strategies.
18. Explain the Hedging strategies using futures.

(2 × 5 = 10 weightage)

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Name.....

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**FOURTH SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY)
EXAMINATION, APRIL 2023**

(CBCSS)

M.Com.

MCM4C14—FINANCIAL DERIVATIVES AND RISK MANAGEMENT

(2019 Admission onwards)

Time : Three Hours

Maximum : 30 Weightage

Part A

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

1. What is Market Risk ?
2. Define Derivative.
3. What is Underlying Asset ?
4. What are Index futures ?
5. What is Open Interest ?
6. What is Warrants ?
7. Define Short Straddle.

(4 × 2 = 8 weightage)

Part B

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

8. What are the steps in Risk Management ?
9. What are the differences between futures contract and forward contracts ?
10. "Call writers and put buyer exhibit bearish sentiments". Do you agree ? Explain.

Turn over

11. How swaps are useful for risk management ? Explain.
12. Explain Binomial Option Pricing model.
13. Discuss various types of Risk.
14. Explain the economic benefits of Derivatives.

(4 × 3 = 12 weightage)

Part C

Answer any two questions.

Each question carries 5 weightage.

15. Define Risk Management. Discuss various risk management issues in business organizations.
16. Explain the role of Derivatives in reducing Financial Risk.
17. Define Swaps. Explain different types of Swaps.
18. What is Risk ? Explain how risk become a burden to society.

(2 × 5 = 10 weightage)

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Name.....

Reg. No.....

**FOURTH SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY)
EXAMINATION, APRIL 2022**

(CBCSS)

Master of Commerce

MCM 4C 14—FINANCIAL DERIVATIVES AND RISK MANAGEMENT

(2019 Admission onwards)

Time : Three Hours

Maximum : 30 Weightage

General Instructions

1. *In cases where choices are provided, students can attend **all** questions in each section.*
2. *The minimum number of questions to be attended from the Section / Part shall remain the same.*
3. *The instruction if any, to attend a minimum number of questions from each sub section / sub part / sub division may be ignored.*
4. *There will be an overall ceiling for each Section / Part that is equivalent to the maximum weightage of the Section / Part.*

Part A

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

1. What are credit derivatives ?
2. Define LEAPS.
3. What is spot price ?
4. Define currency future ?
5. What is put option ?
6. What is delta ?
7. What are currency swaps ?

(4 × 2 = 8 weightage)

Part B

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

8. What do you mean by exchange traded derivatives ? What are its merits ?
9. What is margin system ? What are the different types of margins ?

Turn over

10. Explain the role of SEBI in protecting the interest of investors in the derivatives market.
11. Explain hedging a short position in an asset.
12. Explain time value and intrinsic value of option contract.
13. Explain the advantages of swap contract.
14. Who is a speculator ? Explain the functions of a speculator.

(4 × 3 = 12 weightage)

Part C

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

15. Define Risk Management. Describe the need and significance of risk management
16. What do you mean by currency futures ? Explain how currency futures are priced.
17. What are options ? Explain the classification of option contracts.
18. Derivatives trading in India has evolved over the years. Explain the above statement in the context of recent changes in India.

(2 × 5 = 10 weightage)

FOURTH SEMESTER M.Com DEGREE EXAMINATION, APRIL 2021

MC 4C 14 FINANCIAL DERIVATIVE AND RISK MANAGEMENT

Time : Three Hours

Maximum : 80 Marks

Part I (Descriptive Questions)

PART A

Answer all questions

Each question carries 2 marks

1. What do you mean by a put option?
2. What is meant by forward contract?
3. What is meant by currency swaps?
4. What is meant by American option?
5. What is a clearing house?

(5 x 2 = 10 marks)

PART B

Answer any four questions

Each question carries 10 marks

6. Explain the mechanism of using a swap transaction to reduce its interest costs
7. Discuss the evolution of future markets in India?
8. Explain the factors affecting pricing of a currency option?
9. Explain Black and Scholes model?
10. Explain the important features of derivatives?
11. Explain the role of an arbitrageur and speculator?

(4 x 10 = 40 marks)

PART C

Answer any **two** questions

Each question carries 15 marks

12. Describe how financial derivative can benefit a company to manage its risks
13. Explain the various choices available to a Finance Manager for managing the currency risks related to the repayment of a dollar denominated borrowing?
14. Explain the term financial risk and financial risk management? What are the methods available for managing the financial risks of a firm?

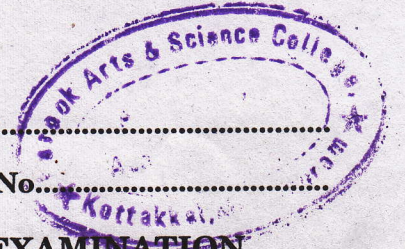
(2 x 15 = 30 marks)

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Name.....

Reg. No.....



**FOURTH SEMESTER M.Com. DEGREE (REGULAR) EXAMINATION
MARCH 2021**

(CBCSS)

M.Com.

MCM 4C 14—FINANCIAL DERIVATIVES AND RISK MANAGEMENT

(2019 Admissions)

Time : Three Hours

Maximum : 30 Weightage

General Instructions

1. In cases where choices are provided, students can attend all questions in each section.
2. The minimum number of questions to be attended from the section/part shall remain the same.
3. There will be an overall ceiling for each section/part that is equivalent to the maximum weightage of the section/part.

Part A

Answer any four questions.

Each question carries 2 weightage.

1. What do you mean by Derivative markets ?
2. Explain VAR.
3. What are the different types of SWAPS ?
4. What do you mean by Currency Futures ?
5. What is a call option ?
6. What is Hedging Risk ?
7. What do you mean by Double Option ?

(4 × 2 = 8 weightage)

Turn over

Part B

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

8. Explain the following terms :
 - (a) Strike Price.
 - (b) Expiration date.
 - (c) Option premium.
9. Describe the common types of swaps.
10. "Forward contracts are part of everyday life". Explain.
11. How is a future contract different from forward contract ?
12. What is margin system ? Explain different kinds of margin system.
13. Distinguish between straddle and strangle.
14. What do you mean by option contract ? Explain its types.

(4 × 3 = 12 weightage)

Part C

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

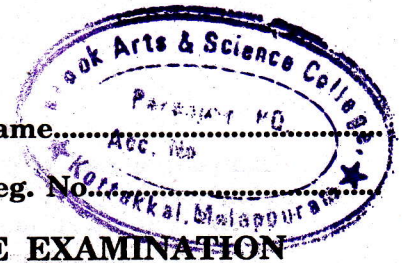
15. Explain Black Scholes option strategy.
16. Explain the various factors affecting Pricing of Option Trading.
17. Explain the regulatory framework of derivative trading in India.
18. Explain the hedging strategies using in Futures Trading.

(2 × 5 = 10 weightage)

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Name.....
Reg. No.....



**FOURTH SEMESTER M.Com. [PVT/SDE] DEGREE EXAMINATION
APRIL/MAY 2020**

M.Com.

MC 4C¹⁴—FINANCIAL DERIVATIVES AND RISK MANAGEMENT

(2015 Admission onwards)

Time : Fifteen Minutes

Maximum : 20 Marks

Part II (Multiple Choice Questions)

Answer all questions.

All questions are compulsory.

Choose the correct answer. Each question carries 1 mark :

1. Financial Derivatives include :

- (A) Stocks. (B) Bonds.
(C) Futures. (D) None of these.

2. By hedging Portfolio a bank manager :

- (A) Reduces interest rate risk. (B) Increases exchange rate risk.
(C) Increases reinvestment risk. (D) Increase the probability of gains.

3. The markets in which derivatives are trade is known as :

- (A) Asset backed market. (B) Cash market.
(C) Mortgage market. (D) Derivative market.

4. The contract where buyer and seller agrees to exchange asset on future date without the involvement of stock exchange :

- (A) Options. (B) Futures.
(C) Forwards. (D) Swaps.

5. The buyer in the derivative contract is also known as :

- (A) Deep in the contract. (B) Middle in the contract.
(C) Short in the contract. (D) Long in the contract.

Turn over

6. Asian option and look back options are types of :
- (A) Vanilla option. (B) Exotic option.
(C) Real option. (D) Warrants.
7. A contract that confers the right to buy or sell foreign currency at a specified price at some future date :
- (A) Currency forwards. (B) Currency futures.
(C) Currency options. (D) Currency Swap.
8. An option contract with underlying asset commodities is :
- (A) Commodity option. (B) Currency option.
(C) Stock index option. (D) None of the above.
9. The difference between the future price and cash price is :
- (A) Basis. (B) Margin.
(C) Premium. (D) Strike price.
10. The additional amount that has to deposited by the trader with broker to bring the balance of margin account to initial margin :
- (A) Initial margin. (B) Maintenance margin.
(C) Variation margin. (D) Additional margin.
11. The test used to check the validity of VaR estimate :
- (A) Black testing. (B) Back testing.
(C) Back end test. (D) Back to back test.
12. Which among the following is not a commodity future exchange ?
- (A) NCDEX. (B) NSDL.
(C) NMCE. (D) MCX.
13. The condition where future prices are greater than cashprice resulting in positive basis is :
- (A) Normal backwardation. (B) Contango.
(C) Expectation hypothesis. (D) Cost of carry.

14. Standardized futures contracts exist for all of the following underlying assets except :
- (A) Stock indexes. (B) Gold.
(C) Common stocks. (D) Treasury bonds.
15. Which of the following is most similar to a stock broker ?
- (A) Pit trader. (B) Local.
(C) Floor broker. (D) Futures commission merchant.
16. Using futures contracts to transfer price risk is called :
- (A) Hedging (B) Diversifying.
(C) Arbitrage. (D) Speculating.
17. Which of the following has the right to sell an asset at a predetermined price ?
- (A) A put writer. (B) A put buyer.
(C) A call buyer. (D) A call writer.
18. Which of the following actions will not close a long position in a call option ?
- (A) Selling a call with the same strike price, expiration, and underlying asset.
(B) Buying a put with the same strike price, expiration, and underlying asset.
(C) Exercising the call.
(D) Allowing the call to expire.
19. Which of the following strategies will be profitable if the price of the underlying asset is expected to decrease ?
- (A) Selling a call. (B) Selling a put.
(C) Buying a put. (D) Buying a call.
20. Which of the following investment strategies has unlimited profit potential ?
- (A) Writing a call. (B) Bull spread.
(C) Protective put. (D) Covered call.

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Name.....

Reg. No.....

FOURTH SEMESTER M.Com. DEGREE EXAMINATION, MARCH 2020

(CUCSS)

M.Com.

MC 4C 14—FINANCIAL DERIVATIVES AND RISK MANAGEMENT

Time : Three Hours

Maximum : 36 Weightage

Part A

Answer all questions.

Each question carries 1 weightage.

1. Explain your idea about Options.
2. What is Risk Management ?
3. What is Financial Derivative ?
4. What is Secondary Market ?
5. Explain your idea about Swaps.
6. Explain your idea about Hedging.

(6 × 1 = 6 weightage)

Part B

Answer any six questions.

Each question carries 3 weightage.

7. What is the need for assessment of Financial Risk properly ?
8. Write short notes on :
 - (a) Exercise price.
 - (b) Option Premium.
 - (c) OTC Options.
9. Explain various types of Derivatives.
10. Write short notes on :
 - (a) Strike price.
 - (b) Expiration date.
 - (c) Underlying asset.
11. "Financial Swaps are not funding instruments; they are asset management tools". Explain ?

Turn over

12. What do you know about Financial Planning ? Examine important steps in Financial Planning.
13. Distinguish between a Straddle and a Strangle.
14. What are the uses of Options ?

(6 × 3 = 18 weightage)

Part C

Answer any two questions.

Each question carries 6 weightage.

15. "It is more attractive to trade a derivative security than the security itself. Discuss.
16. Briefly explain the regulatory framework of derivative trading in India ?
17. What do you mean by Black Schole's Pricing Methods ? Explain its important in derivative market.

(2 × 6 = 12 weightage)

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Name.....

Reg. No.....

FOURTH SEMESTER M.Com. DEGREE EXAMINATION, MAY 2019

M.Com.

MC 4C 14—FINANCIAL DERIVATIVES AND RISK MANAGEMENT

(Syllabus Year 2015)

(Admission Year 2016 onwards)

Time : Fifteen Minutes

Maximum : 20 Marks

Part II (Multiple Choice Questions)

Answer all questions.

All questions are Compulsory.

1. Using futures contracts to transfer price risk is called :
 - (a) Arbitrage.
 - (b) Hedging.
 - (c) Speculating.
 - (d) Diversifying.
2. Which of the following is best described as selling a synthetic asset and simultaneously buying the actual asset ?
 - (a) Speculating.
 - (b) Diversifying.
 - (c) Hedging.
 - (d) Arbitrage.
3. A put option has a strike price of Rs. 35. The price of the underlying stock is currently Rs. 42. The put is :
 - (a) Out of the money.
 - (b) At the money.
 - (c) In the money.
 - (d) Near the money.
4. Which of the following has the right to sell an asset at a predetermined price ?
 - (a) A put writer.
 - (b) A call buyer.
 - (c) A call writer.
 - (d) A put buyer.
5. Which of the following is potentially obligated to sell an asset at a predetermined price ?
 - (a) A call writer.
 - (b) A put writer.
 - (c) A put buyer.
 - (d) A call buyer.

Turn over

6. An option that can be exercised only on maturity is called :
- (a) Swap.
 - (b) Stock option.
 - (c) European option.
 - (d) American option.
7. Futures differ from forwards because they are :
- (a) Used to hedge portfolios.
 - (b) Used to hedge individual securities.
 - (c) Used in both financial and foreign exchange markets.
 - (d) A standardized contract.
8. A tool for managing interest rate risk that requires exchange of payment streams is a :
- (a) Futures contract.
 - (b) Forward contract.
 - (c) Swap.
 - (d) Micro hedge.
9. A call option's premium minus its intrinsic value is known as its :
- (a) Exercise price.
 - (b) Strike price.
 - (c) Expiration value.
 - (d) Time value.
10. Forward contracts, futures contracts, and option contracts are all known as :
- (a) Spot contracts.
 - (b) Common stock securities.
 - (c) Preferred contracts.
 - (d) Derivative securities.
11. The instrument that are 'marked to the market' are :
- (a) Forwards.
 - (b) Futures.
 - (c) Swaps.
 - (d) Options.
12. In an option contract, if the option can be exercised only at the time of maturity, it is called :
- (a) Double option.
 - (b) American option.
 - (c) Put option.
 - (d) European option.
13. A disadvantage of a forward contract is that :
- (a) It may be difficult to locate a counterparty.
 - (b) The forward market suffers from lack of liquidity.
 - (c) These contracts have default risk.
 - (d) All of the above.

14. If you sold a short contract on financial futures you hope interest rates :

- (a) Rise.
- (b) Fall.
- (c) Are stable.
- (d) Fluctuate.

15. Options are contracts that give the purchasers the :

- (a) Option to buy or sell an underlying asset.
- (b) The obligation to buy or sell an underlying asset.
- (c) The right to hold an underlying asset.
- (d) The right to switch payment streams.

16. The price specified on an option that the holder can buy or sell the underlying asset is called the :

- (a) Premium.
- (b) Call.
- (c) Strike price.
- (d) Put.

17. A firm that sells goods to foreign countries on a regular basis can avoid exchange rate risk by :

- (a) Buying stock options.
- (b) Selling puts on financial futures.
- (c) Selling a foreign exchange swap.
- (d) Buying swaptions

18. A contract that requires the investor to buy securities on a future date is called a :

- (a) Short contract.
- (b) Long contract.
- (c) Hedge.
- (d) Cross.

19. The amount paid for an option is the :

- (a) Strike price.
- (b) Premium.
- (c) Discount.
- (d) Commission.

Turn over

20. An option that can be exercised at any time up to maturity is called a :

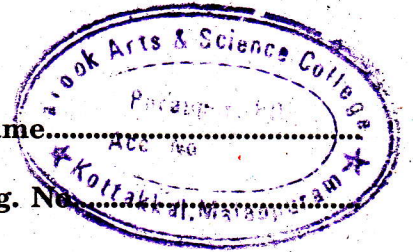
- (a) Swap.
- (b) Stock option.
- (c) European option.
- (d) American option.

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Name.....

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FOURTH SEMESTER M.Com. DEGREE EXAMINATION, JUNE 2018

(CUCSS)

MC 4C 14—FINANCIAL DERIVATIVES AND RISK MANAGEMENT

(2015 Admissions)

Time : Three Hours

Maximum : 36 Weightage

Part A

Answer all questions.

Each question carries 1 weightage.

1. What is spot price ?
2. Define index option.
3. What is derivative exposure ?
4. What is *out-of-money* position ?
5. What do you mean normal backwardation ?
6. What is 'put call parity' ?

(6 × 1 = 6 weightage)

Part B

Answer any six of the following.

Each question carries 3 weightage.

7. "Future contracts are obligations, whereas options are rights". Do you agree ? Justify it.
8. What is an option ? What is the difference between a call option and a put option.
9. What is a currency swap ? How does currency swap reduce exposure to risk ?
10. Discuss the important economic functions performed by the derivative markets.
11. Illustrate 'in-the-money' and 'out-of-the money' positions in both call option and put option.
12. Futures contracts are improvised forward contracts-Do you agree ? Explain.
13. What is basis and basis convergence ?

(6 × 3 = 18 weightage)

Turn over

Part C

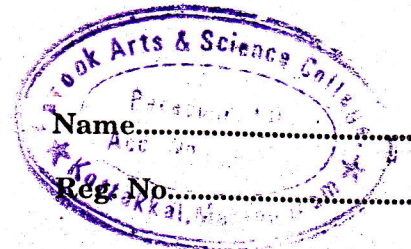
*Answer any two of the following.
Each question carries 6 weightage.*

14. "Hedging is to provide insurance against adverse fluctuations in the price movements" Do you agree? Discuss the statement with the help of suitable examples.
15. What do you understand by marking-to-the-market? Explain its purpose with suitable example.
16. Explain the functions which the banks or financial institutions discharge in a swap deal.

(2 × 6 = 12 weightage)

D 41660

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FOURTH SEMESTER M.Com. DEGREE [SDE] EXAMINATION, MAY 2018

Commerce

MC 4C 14—FINANCIAL DERIVATIVE AND RISK MANAGEMENT

(Syllabus Year 2015)

[Admission Year 2016 onwards)

Time : Fifteen minutes

Maximum : 20 Marks

Part II (Multiple Choice Questions)

Answer all questions.

All questions are compulsory.

1. Financial derivatives can be used by financial institutions to manage :
 - (a) Credit risk.
 - (b) Interest rate risk
 - (c) Liquidity risk.
 - (d) Foreign exchange risk.
2. A futures contract :
 - (a) Is a direct contract between two parties created to meet the specific needs of the parties.
 - (b) Has more counterparty risk than a forward contract.
 - (c) Are standardized because they are offered by and traded on an exchange.
 - (d) Are used more frequently than swaps.
 - (e) Non of the above.
3. An agreement between a buyer and a seller to immediately exchange a specific asset for payment of cash is a :
 - (a) Forward contract.
 - (b) Spot contract.
 - (c) Futures contract.
 - (d) Call option.
 - (e) Put option.
4. An option that can only be exercised at maturity is called :
 - (a) Swap.
 - (b) Stock option.
 - (c) European option.
 - (d) American option.

Turn over

5. A swap "price" is :
- (a) The fixed interest rate set at the swap's origination.
 - (b) The upfront swap premium paid by the swap buyer.
 - (c) The notional value of the swap.
 - (d) All of the above.
6. Which option type allows the user to exercise the option any time prior to expiration ?
- (a) American option.
 - (b) Bermudan option.
 - (c) European option.
 - (d) All of the above.
7. Credit Default Swaps (CDS) on a pool of mortgage backed securities :
- (a) Are similar to put options in that they have asymmetric payoffs.
 - (b) Differ from puts in that the payoff only occurs if there is a credit default on the securities.
 - (c) Were partly responsible for making the recent financial crisis more severe.
 - (d) All of the above.
8. Which of the following statements about swaps is not true ?
- (a) Swaps are designed to have zero net present value at inception the market's best guess is that the present values of the payments will net out.
 - (b) Swaps take an positive value for the fixed rate payer through time if actual interest rates are below the expected (projected) rates.
 - (c) Swaps are priced so that if the fixed rate payer pays a higher rate than the floating rate payer in the first reset period, the pattern is expected to reverse in future periods.
 - (d) Swaps are convenient derivative instruments because they are equivalent to a series of forward rate agreements on interest rates.
9. Which of the following is not a financial derivative ?
- (a) Stock.
 - (b) Futures.
 - (c) Options.
 - (d) Forward contracts.
10. By hedging a port folio, a bank manager :
- (a) Reduces interest rate risk.
 - (b) Increases reinvestment risk.
 - (c) Increases exchange rate risk.
 - (d) Increases the probability of gains.
11. The advantage of forward contracts over future contracts is that they :
- (a) Are standardized.
 - (b) Have lower default risk.
 - (c) Are more liquid.
 - (d) None of the above.

12. The price of a futures contract at the expiration date of the contract :
- (a) Equals the price of the underlying asset.
 - (b) Equals the price of the counterparty.
 - (c) Equals the hedge position.
 - (d) Equals the value of the hedged asset.
 - (e) None of the above.
13. Futures differ from forwards because they are :
- (a) Used to hedge portfolios.
 - (b) Used to hedge individual securities.
 - (c) Used in both financial and foreign exchange markets.
 - (d) A standardized contract.
14. The price specified on an option that the holder can buy or sell the underlying asset is called the :
- (a) Premium.
 - (b) Call.
 - (c) Strike price.
 - (d) Put.
15. A call option gives the owner :
- (a) The right to sell the underlying security.
 - (b) The obligation to sell the underlying security.
 - (c) The right to buy the underlying security.
 - (d) The obligation to buy the underlying security.
16. If you buy a put option on treasury futures at 115, and at expiration the market price is 110 :
- (a) The call will be exercised.
 - (b) The put will be exercised.
 - (c) The call will not be exercised.
 - (d) The put will not be exercised.
17. A tool for managing interest rate risk that requires exchange of payment streams is a :
- (a) Futures contract.
 - (b) Forward contract.
 - (c) Swap.
 - (d) Hedge.
18. The most common type of interest rate swap is :
- (a) The plain vanilla swap.
 - (b) The basic swap.
 - (c) The swaption.
 - (d) The ordinary swap.

Turn over

19. A financial contract that obligates one party to exchange a set of payments it owns for another set of payments owned by another party is called a :
- (a) Hedge.
 - (b) Call option.
 - (c) Put option.
 - (d) Swap.
20. Elimination of riskless profit opportunities in the futures market is :
- (a) Hedging.
 - (b) Arbitrage.
 - (c) Speculation.
 - (d) Underwriting.
 - (e) Diversification.

C 22138

(Pages : 2)

Name.....

Reg. No.....

FOURTH SEMESTER M.Com. DEGREE EXAMINATION, JUNE 2017

(CUCSS)

Commerce

MC 4C 14—FINANCIAL DERIVATIVES AND RISK MANAGEMENT

(2015 Admissions)

Time : Three Hours

Maximum : 36 Weightage

Part A

*Answer all questions.
Each question carries 1 weightage.*

1. What is expiration date ?
2. What is *Contango* ?
3. Define credit derivatives.
4. Explain the term 'Hedging'.
5. What do you mean by Currency swaps ?
6. What is Option premium ?

(6 × 1 = 6 weightage)

Part B

*Answer any six of the following.
Each question carries 3 weightage.*

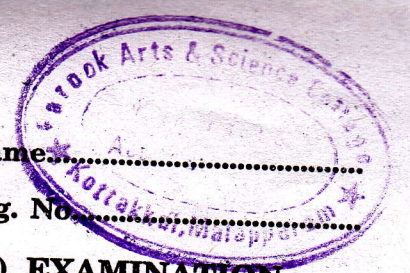
7. Explain three uses of interest rate swaps for corporate/banks.
8. State how bear spreads are created with calls and puts differentiated.
9. Briefly explain the Intrinsic value of option and Time value of option.
10. Explain the basic principle of cost of carry model for pricing of futures.
11. Write a short note on stock index futures.
12. Explain different types of swap agreements.
13. Futures contracts are improvised forward contracts-Do you agree ? Explain.
14. Explain the factors affecting option pricing.

(6 × 3 = 18 weightage)

Turn over

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Name:
Reg. No:



**FOURTH SEMESTER M.Com. DEGREE (PVT/SDE) EXAMINATION
APRIL 2017**

MC 4C 14—FINANCIAL DERIVATIVES AND RISK MANAGEMENT

(2015 Admissions)

Time : Three Hours

Maximum : 80 Marks

Part A

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

1. What are the underlying assets for financial derivative instruments ?
2. What is the objective of initial margin ?
3. List any two points related to regulation of the derivatives market.
4. What is marked to market ?
5. Define hedging.

(5 × 2 = 10 marks)

Part B

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

6. Define the term 'Margin' in context of Futures Contract.
7. What is the difference between a Long Futures Position and a Short Futures Position ?
8. What is meant by a Protective Put ? What position are Call Options are equivalent to a Protective Put ?
9. What do you understand by Long Hedge ? Discuss with suitable example.
10. Under what circumstances does a Minimum Variance Hedge Portfolio lead to no hedging at all ?
11. What is a Currency Swap and how is it different operationally from an Interest Rate Swap ?

(4 × 10 = 40 marks)

Part C

*Answer any two questions.
Each question carries 15 marks.*

12. Give three reasons that the Treasurer of a company might not Hedge the company's exposure to a Particular Risk.
13. What are the Features of the Option-Pricing Model proposed by Cox, Ross and Rubinstein ?
14. Explain the various steps taken in devising a Hedging Strategy. Also explain the effect of Hedging objectives in this respect.

(2 × 15 = 30 marks)