QP CODE: 24018508

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Reg No : ....

Name : ....

M.Com DEGREE (CSS) EXAMINATION, APRIL 2024

Fourth Semester

Elective - CM800401 - DERIVATIVES AND RISK MANAGEMENT

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

2019 ADMISSION ONWARDS

03608163

Time: 3 Hours | Weightage: 30

*Instructions: (**Applicable for Private Registration, 2020 Admission Onwards**) This question paper contains two sections. Answer section I questions in the answer book provided. Section II Internal examination questions must be answered in the question paper itself. Follow the detailed instructions given under section II.*

SECTION I

Part A (Short Answer Questions)

*Answer any **eight** questions.*

*Weight **1** each.*

1. Calculate the terminal value of an investment of Rs.1,50,000 invested for 2 years at the annual interest rate of 14.56%, assuming continuous compounding of interest.
2. Distinguish between risk seeker and risk averse individuals.
3. What are Transferable Specific Delivery Contracts?
4. What do you mean by fixed forward contracts?
5. Explain different 'positions' and 'prices' associated with futures contracts.
6. What is meant by physical settlement of a futures contract?
7. What are Interest rate futures?
8. What do you mean by "Buyer of put option"?
9. 'Options means locking in a maximum loss'. Explain.
10. Who is a Swap broker?

(8×1=8 weightage)

Part B (Short Essay/Problems)

*Answer any **six** questions.*

*Weight **2** each.*

11. "Derivatives are effective risk management tool". Comment.
12. Discuss the uses and applications of VaR.
13. What are the different methods of quoting foreign exchange rates?
14. What is a full carry market? Explain different factors that cause deviations from the full carry model.
15. Shares of IPL Ltd are selling on market at Rs. 160. The risk-free interest rate is 4 % p.a. Calculate the futures price of a contract expiring in 1 month using available information.
16. Explain when and how a currency call option can be used for speculation.
17. What is Put-Call parity? How is it used for calculating the put option price?
18. Explain the functioning of Direct Interest Rate Swap with the help of an example.

(6×2=12 weightage)

Part C (Essay Type Questions)

*Answer any **two** questions.*

*Weight **5** each.*

19. Who are the main players in derivatives market? Discuss the trading strategies of each.
20. Explain forward contract with an examle. Discuss the advantages and disadvantages of forward contracts.
21. Explain the operation of hedgers and speculators in currency futures market.
22. Current price of stock's of VLS Finance Ltd. is Rs.90 per share. The risk free rate of interest is 8% annualised continuous compounding . If the volatility of the stock is 23% p.a., what is the price of the Rs.80 European put option expiring in 6 months according to Black and Scholes model?

(2×5=10 weightage)