

QP CODE: 24018600



Reg No :

Name :

M.Com DEGREE (CSS) EXAMINATION, APRIL 2024

Fourth Semester

MASTER OF COMMERCE AND MANAGEMENT

Elective - CM900401 - FINANCIAL DERIVATIVES

2020 ADMISSION ONWARDS

31AAC95A

Time: 3 Hours

Weightage: 30

Part A (Short Answer Questions)

Answer any **eight** questions.

Weight **1** each.

1. How do derivatives help in price discovery?
2. Discuss the differences between discounting and compounding.
3. What is long and short position in future contract?
4. Discuss the features of Commodity futures.
5. What do you mean by currency futures?
6. Write a short note on pricing of currency futures.
7. Explain the value of options.
8. "Financial swaps are not funding instruments; they are asset -liability management tools". Explain.
9. What are hedge funds?
10. What is asset liability matching report?

(8×1=8 weightage)

Part B (Short Essay/Problems)

Answer any **six** questions.

Weight **2** each.

11. What are the important milestones in the development of derivatives in India?



12. The interest rate in India and US are 12% and 6% respectively. The spot exchange rate is Rs 72.50 /USD. Compute the forward exchange rate of 3 months USDINR using IRP theory.
13. Consider a 3 month futures contract on an index. Suppose that the stocks underlying the index provide a dividend yield of 1% per annum. The current value of the index is 1300 and that is continuously compounded at the risk free rate of 5% per annum. Calculate the future price.
14. Explain currency derivatives, highlighting its features.
15. Make a comparison between spreads and straddle.
16. Elucidate the history of swaps.
17. What are the advantages and disadvantages of debt markets?
18. Discuss the foundation concepts of asset liability management.

(6×2=12 weightage)

Part C (Essay Type Questions)

Answer any **two** questions.

Weight **5** each.

19. What are the different classification of derivatives?
20. Describe and illustrate the cost of carry model of future pricing in a perfect market environment.
21. Explain Currency Forwards. What is foreign exchange quotation for currency forwards?
22. The current market price of a stock is Rs.150. The stock has a volatility of 40%. The risk free value is 10% p.a. Using binomial tree with monthly intervals, calculate the value of European call option on the stock with an exercise price of Rs.160. There are 3 time periods.

(2×5=10 weightage)