M.Com DEGREE (CSS) EXAMINATION, APRIL 2025

Fourth Semester

Master of Commerce and Management

ELECTIVE - CM900401 - FINANCIAL DERIVATIVES

2020 ADMISSION ONWARDS

8198F97D

Time: 3 Hours

Weightage: 30

Part A (Short Answer Questions)

*Answer any **eight** questions.*

*Weight **1** each.*

1. Explain the term hedging.

2. Find the value of Rs. 80,000 deposited for a period of 5 years at the end of the period, when the interest is 12% and continuous compounding is done.

3. What is basis?

4. What is calendar spread?

5. Cite a few uses of currency futures.

6. What do you mean by interest rate futures?

7. Explain strips.

8. What is tunnel?

9. What are the disadvantages of hybrid securities?

10. Give a brief description on ALM governance.

(8×1=8 weightage)

Part B (Short Essay/Problems)

*Answer any **six** questions.*

*Weight **2** each.*

11. What are the limitations of derivatives?

12. Write a note on stock Futures trading in India.

13. Distinguish between multi-commodity and single commodity exchanges.

14. Explain in detail currency derivatives.

15. Explain time value and intrinsic value of option contract.

16. The DEML option, lot size is 375, its share price as on September 1st is Rs.1111.35. a put option with the exercise date of November 26 and an exercise price of Rs.1140 is priced at Rs.116.15. If put call parity holds, what will be the price of call option with the exercise date of November 26 and exercise price of Rs.1140. Interest rate is at 8%.

17. Write a note on equity options.

18. Discuss the various alternatives for fund optimization.

(6×2=12 weightage)

Part C (Essay Type Questions)

*Answer any **two** questions.*

*Weight **5** each.*

19. Explian the legal framework for Indian derivative markets.

20. Define forwards. Explain the advantages and disadvantages of forwards .

21. Explain exchange rate quotes. What is the relevance of exchange rate quotes with respect of currency forwards?

22. What is the price of European call that expires in 180 days time with a strike price of Rs 50 when the underlying is traded at Rs 60? This stock will have dividend of Rs 5 in 30 days' time and the interest rate is 11% per annum. Assume the volatility of the stock as 12% p.a.

(2×5=10 weightage)