25024802

Reg No : ....

Name : ....

M.Com DEGREE (CSS) EXAMINATION, APRIL 2025

Fourth Semester

M.COM FINANCE AND TAXATION

ELECTIVE - CM800401 - DERIVATIVES AND RISK MANAGEMENT

2019 ADMISSION ONWARDS

FFD49A03

Time: 3 Hours

Weightage: 30

Part A (Short Answer Questions)

*Answer any **eight** questions.*

*Weight **1** each.*

1. An amount of Rs.20,000 is invested for 1 year at 12.75% annual interest. Calculate the terminal value of the investment at the end of the year, assuming interest is compounded continuously.

2. What do you know about risk management function of derivatives?

3. What is meant by bid rate and ask rate?

4. What do you mean by fixed forward contracts?

5. Define futures contracts.

6. What is meant by cash settlement of a futures contract?

7. What is Cost of Carry Model?

8. What are Currency options?

9. Explain Binomial Model of Option Pricing.

10. Who all are the intermediaries in a Swap transaction?

(8×1=8 weightage)

Part B (Short Essay/Problems)

*Answer any **six** questions.*

*Weight **2** each.*

11. Explain the importance of derivatives.

12. What is meant by risk? Explain different types of risks in commodity market.

13. Discuss the advantages and disadvantages of forward contracts.

14. How a hedger operates in the currency futures market? Explain with an illustration.

15. SAIL shares are selling at Rs.170 on September 1. The risk free interest rate is 8%. No dividends are expected during September. What would be the price of a SAIL futures contract expiring on September 28?

16. The share of X Ltd Company stands at Rs.150, put options with a strike price of Rs.130 are priced at Rs.15. Compute (a) the intrinsic value of options. (b) the time vale of options. If the share price falls to Rs.50 by the expiry date, what would be the profit/ loss for the holder and the writer of the options?

17. Discuss the factors that determine options pricing.

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. Describe the regulatory framework for derivatives trading in India.

20. Discuss the pricing of forwards.

21. Discuss stock index futures. Explain its uses and stratgegies of traders in the index futures market.

22. The current market price of Tata Motors is Rs.951.An interim dividend of Rs.7.50 is expected to be received after 2 months. Call option on Tata Motors, expiring in 4 months, has an exercise price of Rs. 900. The volatility of the stock is measured through standard deviation of share prices which calculated as 10.58%. The interest rate on Govt. securities is 8.5% p.a. Calculate the call option and put option prices.

(2×5=10 weightage)