D4ACM2001 **(2 Pages)** **Name.....**
Reg.No.....

FOURTH SEMESTER M.Com DEGREE EXAMINATION, APRIL 2022
(Regular/Improvement/Supplementary)

COMMERCE
FMCM4C14 - FINANCIAL DERIVATIVES AND RISK MANAGEMENT

Time: 3 Hours **Maximum Weightage: 30**

Part A: Answer any *four* questions. Each carries *two* weightage.

1. Give the meaning for "price convergence".
2. "Options are wastage Assets." Why?
3. Briefly explain the concept, "Underlying Assets" in derivatives.
4. What are non-generic swaps?
5. State the differences between "Contago" and "Backwardation".
6. Clarify the concept, "At the money option" with an example.
7. Compare "caps", "collars" and "floors' in price fixation of swaps.

(4 × 2 = 8 weightage)

Part B: Answer any *four* questions. Each carries *three* weightage.

8. Distinguish between exchange traded and OTC derivatives.
9. Define VaR. Bring out its important applications.
10. Who are the participants in a Derivative Contract? Enlist their functions.
11. "Interest Rate Swaps are used mainly in Banking corporations". Analyse this statement.
12. The current market price per share of PQR Ltd. is Rs.140 and is expected to declare dividend of Rs.10 after 10 days. What will be the price of two-month futures, if the risk free rate is 15%?
13. Discuss the fundamental Option Trading Strategies with examples.
14. State the assumptions in Binomial Option Pricing model.

(4 × 3 = 12 weightage)

(P.T.O.)

Part C: Answer any *two* questions. Each carries *five* weightage.

15. "Hedging over options is much favourable to hedging over futures and forwards". Critically evaluate.

16. Outline the contributions of Financial Derivatives towards India's economic development. Also trace out different risks in derivatives trading.

17. Classify the different forms of futures traded in Indian Derivatives market.

18. Apply the Black-Scholes model to value a call option under following circumstances.

Stock price	₹ 100
Exercise price	₹ 95
Risk-free interest rate	0.10 p.a.
Time to expiration	3 monts
Standard Deviation	0.5

(2 × 5 = 10 weightage)