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D6BBH2101 (PAGES 2) **Reg. No.............................**

Name: ....

SIXTH SEMESTER UG DEGREE EXAMINATION, APRIL 2024

(Regular/Improvement/Supplementary)

BBA HONOURS

GBAH6E03T: FINANCIAL RISK MANAGEMENT AND DERIVATIVES

Time: 3 Hours **Maximum Marks: 80**

PART A: Answer *all* the questions. Each carries *one* mark.

Choose the correct answer.

1. The standardised form of forward is ....

   A) Standard forward B) Derivative C) Futures D) Option

2. Variance of return always explains.................

   A) Volatility B) Variations C) Return D) Risk

3. The value of derivative contracts is decided on the basis of the value of ....

   A) Underlying and financial asset B) Underlying asset

   C) Underlying and intangible asset D) Underlying and tangible asset

4. .... is the rate at which the price of stocks varies over a period of time.

   A) Risk B) Increasing Rate C) Volatility D) Market Rate

5. Margin money mechanism creates ....

   A) Adaptability B) Reliability C) Volatility D) Liquidity

Fill in the Blanks.

6. Risk budgeting is a part of ....
7. Future value of derivative is fixed on the basis of .... concept.
8. Speculators are so interested to trade in the volatile market to make profit from ....
9. The trader buys and sells multiples options of the same type as a part of .... trading strategy.
10. The process that combines all instruments that are held by a trader in the stock market is known as ....

(10 x 1 = 10 Marks)

PART B: Answer any *eight* questions. Each carries *two* marks.

11. Explain any one of the situations where only VAR model can be applied.
12. Make a note on "call option" and "put option".
13. Make a note on how option contracts are different from futures contracts.
14. What do you mean by five days trading mechanism?
15. Explain the use of Covariance Approach in financial data.

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16. The market price of the forward contract is Rs 650/-, the market interest rate is 7%, the maturity period of the contract is 3 months, Estimate the value of the contracts after three months.
17. What are the uses of derivatives in the financial market?
18. Make a note on near month contract and far month contract in the Indian futures market.
19. How does future contract different from forwards?
20. Option contracts are more powerful than futures contracts for the users. Why?

(8 x 2 = 16 Marks)

PART C: Answer any *six* questions. Each carries *four* marks.

21. Write a note on the evolution and development of derivatives in Indian market.
22. What are the different types of Option contracts? Explain.
23. The specific properties of time series data can be extracted through the use of VAR model. Explain.
24. Long straddles and short straddles are used to explore the specific behaviour of the market. Do you agree? Explain the context.
25. Derivative contracts are used by traders for their speculative activities but they are considered as hedging instruments for investors. Do you agree? Why?
26. Black- Sholes model is superior to the Binomial option pricing model. Why? Comment.
27. ARCH effect is always tested using GARCH Model. Is it true? Why?
28. There are different types of margin systems, each with its advantages and specifications. Explain.

(6 × 4 = 24 Marks)

PART D: Answer any *two* questions. Each carries *fifteen* marks.

29. Risk is inevitable in financial markets, financial instruments and financial institutions, but its nature may be varied subject to the behaviour of the place where it exists. Do you agree? Critically comment.
30. "Financial risk management is a systematic and operational process that makes the market players and organizations to manage their risk." Critically analyse the statement.
31. Predicting future return is a necessity of the players in the capital market by using historical data, making analysis and experiencing the real market environment. Make a comment by explaining the role of various tools and their results.

(2 x 15 = 30 Marks)