

**SIXTH SEMESTER B. Com. DEGREE EXAMINATION, APRIL 2024**  
**(Regular/Improvement/Supplementary)**

**FINANCE**

**GBCM6B17T: FINANCIAL DERIVATIVES**

**Time: 2 ½ Hours**

**Maximum Marks: 80**

**SECTION A: Answer the following questions. Each carries *two* marks.**

**(Ceiling 25 Marks)**

1. What do you mean by counter party risk?
2. Define Futures.
3. What do you mean by a derivative market?
4. Define Currency option.
5. What do you mean by Expiration date?
6. List out any *four* option trading strategies.
7. What do you mean by underlying asset?
8. Define contract size.
9. State the principle of convergence.
10. What do you mean by Intrinsic value?
11. Who are the parties in option contract?
12. Define volatility.
13. Who is an arbitrageur?
14. Expand LIBOR.
15. What do you mean by Notional Principal?

**SECTION B: Answer the following questions. Each carries *five* marks.**

**(Ceiling 35 Marks)**

16. Explain the different types of derivatives on the basis of nature of contracts.
17. "Derivatives are effective risk management tools". Comment on this statement.
18. Differentiate between hedging and speculation.
19. Explain about the positions in the options contract.
20. What is a margin system? Which are the different types of margins.
21. Differentiate between spot contract and forward contract.
22. Explain the history of Regulatory Framework for Derivatives Trading in India.
23. "Long call and Short put are strategies for the Bullish market". Explain.

**SECTION C: Answer any *two* questions. Each carries *ten* marks.**

24. Explain the major players in derivative market with their functions.
25. Define future contract with the help of an example. What are the features, advantages and limitations of a future contract?
26. Discuss the fundamental option strategies with suitable examples.
27. Explain the different types of Swaps.

**(2 x 10 = 20 Marks)**