

C 20016

(Pages : 3)

Name.....

Reg. No.....

SIXTH SEMESTER U.G. DEGREE EXAMINATION, MARCH 2022

(CUCBCSS—UG)

B.Com.

BCM 6B 14—FINANCE SPECIALIZATION III
(FINANCIAL DERIVATIVES)

(2017 to 2018 Admissions)

Time : Three Hours

Maximum : 80 Marks

Part A*Answer all questions.
Each question carries 1 mark.*

(A) Choose the correct answer :

- 1 _____ means a forward, future, option or any other hybrid contract of a fixed duration
- (a) Swaps. (b) Derivative.
(c) Currency. (d) Stock.
- 2 A _____ option the option holder has the right to buy the underlying asset.
- (a) Call. (b) Buy.
(c) American. (d) European.
- 3 _____ is the minimum amount by which the buyers and sellers are required to deposit in the form of cash or security.
- (a) Delivery price. (b) Intrinsic value.
(c) Time value. (d) Margin.
- 4 _____ derivative market is the largest market for derivatives.
- (a) OTC. (b) Forward.
(c) Financial. (d) Commodities.
- 5 Under Commodity futures the _____ is exchanged for cash in the spot market at the previously determined price.
- (a) Currency. (b) Commodity.
(c) Stock. (d) Bonds or shares.

Turn over

(B) Fill in the blanks :

- 6 The forward price is the _____ price of an asset in a forward contract.
- 7 _____ is the most common hedging instrument being used for known currency receivables
- 8 Equity index options is an example of _____ options.
- 9 Firms are used _____ derivative to tap international markets.
- 10 _____ is done to protect the investment from the market risk.

(10 × 1 = 10 marks)

Part B

*Answer any **eight** questions.*

Each question carries 2 marks.

- 11 What is Double option ?
- 12 Distinguish between Swaps and Swaptions.
- 13 What is free commodities on future trading ?
- 14 Distinguish between Long hedge and Short hedge.
- 15 What is Stock index option ?
- 16 What is Currency Forward Contracts ?
- 17 Define Derivative.
- 18 What do you mean by Interest Rate Swaps ?
- 19 What are the advantages of OTC Derivative Contracts ?
- 20 What are the significance of the Futures Market ?

(8 × 2 = 16 marks)

Part C (Short Essay Questions)

*Answer any **six** question.*

Each question carries 4 marks.

- 21 Distinguish between Commodity Futures and Financial Futures.
- 22 What is Swaps ? Explain its Disadvantages.

- 23 Explain the features of Hedging.
- 24 Discuss the differences between Currency Futures and Currency Forwards.
- 25 Explain the merits of Forward Contracts
- 26 Discuss the components of Options.
- 27 What are the advantages of Swaps ?
- 28 Distinguish between Forwards contracts and Future contracts.

(6 × 4 = 24 marks)

Part D (Essay Questions)

Answer any two questions.

Each question carries 15 marks.

- 29 What is Derivatives ? Discuss in detail the types of Derivative products.
- 30 What are SEBI guidelines with regard to derivatives ?
- 31 What is Future Contracts ? Explain its objectives and features.

(2 × 15 = 30 marks)

C 1018

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Name.....

Reg. No.....

SIXTH SEMESTER B.Com./B.B.A. DEGREE EXAMINATION, MARCH 2021

(CUCBCSS—UG)

B.Com.

BCM 6B 14—FINANCE SPECIALIZATION—III : FINANCIAL DERIVATIVES

(2017 Admissions)

Time : Three Hours

Maximum : 80 Marks

Section A

*Answer all questions.
Each question carries 1 mark.*

(A) Choose the correct answer :

- 1 The number of futures contracts outstanding is called _____.
 - a) Liquidity.
 - b) Open interest.
 - c) Contango.
 - d) Float.
- 2 The differential between the spot price and the futures price is known as :
 - a) Spread.
 - b) Basis.
 - c) Differential rate.
 - d) Gap.
- 3 Which of the following has the right to sell an asset at a predetermined price ?
 - a) A call writer.
 - b) A put writer.
 - c) A put buyer.
 - d) A call buyer.
- 4 A put option has a strike price of Rs. 35. The price of the underlying stock is currently Rs. 42. The put is said to be :
 - a) In the money.
 - b) Out of the money.
 - c) At the money.
 - d) Near the money.
- 5 The financial institution that guarantees both sides of a future trade is called the :
 - a) Clearing house.
 - b) Future commission merchant.
 - c) SEC.
 - d) Future exchange.

Turn over

(B) Fill in the blanks :

- 6 Commodity futures markets are regulated in India by _____.
- 7 _____ is defined as the futures price minus the spot price.
- 8 In futures trading initial margin is paid by _____.
- 9 A _____ option can be exercised on the expiration date only.
- 10 An increase in the volatility of the underlying asset, all other things held constant, will _____ the option premium.

(10 × 1 = 10 marks)

Section B (Short Answer Questions)

*Answer at least five questions.
Each question carries 4 marks.
All questions can be attended.
Overall Ceiling 20.*

- 11 What do you mean by derivative markets ?
- 12 Who are speculators ?
- 13 What is variation margin ?
- 14 What is customised contract ?
- 15 Define cost of carry.
- 16 State the meaning interest rates futures.
- 17 What is meant by option delta ?
- 18 What is put option ?
- 19 What is currency swaps ?
- 20 What is swaption ?

(5 × 4 = 20 marks)

Section C (Short Essay Questions)

*Answer at least four questions.
Each question carries 8 marks.
All questions can be attended.
Overall Ceiling 32.*

- 21 What are the functions of derivative markets ?
- 22 What are the demerits of and demerit of OTC derivatives ?

- 23 What are the classification of forward contracts ?
- 24 Differentiate between Option and Futures.
- 25 Briefly explain the various types of options.
- 26 Explain the basic positions of an option contract.
- 27 What are the various types of interest rate swaps ?
- 28 Write a short note on :
- a) Straddle.
 - b) Strangle.

(4 × 8 = 32 marks)

Section D (Essay Questions)

*Answer any one question.
The question carries 18 marks.*

- 29 Briefly discuss the various derivative instruments traded in Indian financial and commodity markets.
- 30 Define Futures. Discuss the various types of future contract.
- 31 Define Swaps. State the features, merits and demerits of swaps.

(1 × 18 = 18 marks)

C 80069

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Name.....

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SIXTH SEMESTER B.Com./B.B.A. DEGREE EXAMINATION, MARCH 2020

(CUCBCSS—UG)

B.Com.

BCM 6B 14—FINANCE SPECIALISATION—III : FINANCIAL DERIVATIVES

(2017 Admissions)

Time : Three Hours

Maximum : 80 Marks

Part A

Answer all questions.

Each question carries 1 mark.

(A) Choose the correct answer :

1 Which of the following is not a financial derivative ?

(a) Stock.

(b) Futures.

(c) Options.

(d) Forward contracts.

2 The strike price of an option is :

(a) The market price at the time the option is written.

(b) The market price at the time the option is exercised.

(c) The price at which the option holder has to right to buy or sell.

(d) Above the market price.

3 A put option described as in-the-money would find :

(a) The market price of the stock above the strike price.

(b) The strike price is above the market price of the stock.

(c) The market and strike prices are the same.

(d) None of these.

4 An option that can be exercised at any time up to maturity is called _____.

(a) Bermudan option.

(b) Stock option.

(c) European option.

(d) American option.

Turn over

5 The amount paid for an option is the _____.

- (a) Strike price. (b) Premium.
(c) Discount. (d) Commission.

(B) Fill in the blanks :

6 The theoretical price of a futures contract is spot price of the underlying plus _____.

7 Futures contracts, unlike forwards, are traded on _____.

8 Forward contracts can be worth less than _____.

9 _____ delivery is common with commodities and bonds.

10 The price of the swap is the difference between the values of two _____.

(10 × 1 = 10 marks)

Part B (Short Answer Questions)

Answer any eight questions.

Each question carries 2 marks.

11 What are the underlying assets for a derivative instrument ?

12 What do mean by basis risk ?

13 Write a short note on currency futures.

14 What do you mean by intrinsic value ?

15 Who are the parties involved in a swap contract ?

16 What do you mean by open interest ?

17 What is an option strategy ?

18 What is hedging ?

19 What do you mean by marking to market ?

20 What is option pay-off ?

(8 × 2 = 16 marks)

Part C (Short Essay Questions)

Answer any six questions.

Each question carries 4 marks.

21 Discuss the need and importance of derivatives.

22 Write a short note on exchange traded derivatives in India.

- 23 Discuss the features of forward Contracts.
- 24 Explain various strategies of hedging with futures.
- 25 Explain in details various settlements in derivative markets.
- 26 'Future contracts are obligations, whereas options are rights'. Do you agree ?
- 27 Explain the economic functions of swap transactions.
- 28 Briefly explain the bullish strategies for option contract.

(6 × 4 = 24 marks)

Part D (Essay Questions)

Answer any two questions.

Each question carries 15 marks.

- 29 Discuss the evolution of derivatives trading in India.
- 30 Briefly discuss the features, merits and demerits of future contracts.
- 31 Discuss the various types of swaps and their features.

(2 × 15 = 30 marks)