

**M.COM DEGREE END SEMESTER EXAMINATION MARCH 2016**  
**SEMESTER - 4: COMMERCE**

COURSE: P4COMT19EL: FINANCIAL MARKET AND DERIVATIVES

Time: Three Hours

Max. Marks: 75

**SECTION A**

Answer **all** questions. Each question carries 2 marks.

1. What is ASBA?
2. What is Market Capitalization?
3. What is an underlying asset? Give examples
4. What do you mean by "closing out" of forward contracts?
5. What is Open Interest?
6. What is cost of Carry model?
7. What is a straddle?
8. What is a *plain vanilla* swap?
9. What is an option's delta?
10. What is convergence in futures price?

(2 x 10 = 20)

**SECTION B**

Answer **any five** questions. Each question carries 5 marks.

11. What are the segments of Indian Money Market
12. What are the types of traders in the derivatives market
13. An investor buys one market lot of Feb 7300 Nifty calls at Rs.76 a call and sells one market lot of Feb 7400 Nifty calls for Rs.40 a call. If Nifty closes at 7360 on the expiration date, what will the payoff in rupees net of costs from this spread position? The market lot is 200 Nifty
14. What are position trading and spread trading?
15. How stock futures are used for hedging?
16. You own a 1 million portfolio with a beta of 1.25. Current Index level is 1250. Three-month puts at a strike of 1100 are available. How many put contracts should you buy for insuring your portfolio against an index fall below 1100?. The market lot of Index option is 200
17. What do you mean by the intrinsic value of an option? How it is calculated?
18. What are the factors which influence the price of an option according to BSOPM?

(5 x 5 = 25)

**SECTION C**

Answer **any two** questions. Each question carries 15 marks.

19. Explain the futures pricing models.
20. Explain the binomial option pricing model?

21. From the following information find out the value of the call option using BSOPM. Current price of the stock = Rs.25; Exercise price = Rs.20; standard deviation of the continuously compounded annual returns = 24%; Period to maturity = 0.3 months; Risk free Interest rate = 5%.
22. Explain briefly the working of currency swap with the help of an example

(15 x 2 = 30)