

Reg. No

Name

23P4041

M. COM DEGREE END SEMESTER EXAMINATION : MARCH 2023

SEMESTER 4 : COMMERCE

COURSE : 21P4COMT19EL : DERIVATIVES AND RISK MANAGEMENT

(For Regular - 2021Admission)

Duration : Three Hours

Max. Weights: 30

PART A

Answer any 8 questions

Weight: 1

1. What are sector-wise stock indices? (A)
 2. Define the term "Derivative". ()
 3. What is Intrinsic value of an option? ()
 4. What is stop order? ()
 5. What do you mean by hedging? (E)
 6. What is a stock index? How is it calculated? ()
 7. What do you mean by volatility? (An)
 8. What are options? Distinguish between call option and put option. ()
 9. What is option value? ()
 10. What are the features of a forward contract? ()
- (1 x 8 = 8)**

PART B

Answer any 6 questions

Weights: 2

11. What is credit risk associated with a forward contract? ()
12. Distinguish between OTC options and exchange traded options. ()
13. A one year long forward contract on a non-dividend paying stock is entered into when the stock price is Rs. 420 and the risk free interest rate is 10% p.a. with continuous compounding. What should be the forward price of the contract? Six months later the price of the stock is Rs. 450 and the risk free interest rate is 8%. What should be the forward price of the contract? ()
14. What is the status of index futures trading in India? ()
15. Determine the futures price from the following data:
Spot price Rs. 20,00,000
Cost-of-carry 12 % p.a. ()
Carry period 6 Months
Use cost of carry model.
16. Calculate cash-and-carry arbitrage profit from the following data of a futures contract:
Spot price = Rs. 70,000. (R)
Cost-of-carry = 12% of spot price for the carry period.
Contracted future price = Rs. 90,000.
17. Who all are the players in the management of public issue? ()
18. Explain how dividends anticipated during the life of an option are incorporated in the Black-Scholes option pricing formulas. ()

(2 x 6 = 12)

PART C
Answer any 2 questions

Weights: 5

19. What is a financial system? What are the four components? Discuss. ()
20. What are the various approach to pricing of futures contracts? Discuss. (A)
21. The current market price of Ranbaxy Laboratories is Rs. 537. A put option on the stock has an exercise price of Rs. 525. The risk-free interest rate is 6.15% p.a. The stock volatility, measured by variance of stock prices, is 84%. Use a binomial tree with monthly intervals to calculate: Possible stock prices after three time intervals. ()
22. Define forward contract. Discuss its features with suitable examples. (U)
- (5 x 2 = 10)**

OBE: Questions to Course Outcome Mapping

CO	Course Outcome Description	CL	Questions	Total Wt.
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Cognitive Level (CL): Cr - CREATE; E - EVALUATE; An - ANALYZE; A - APPLY; U - UNDERSTAND; R - REMEMBER;