

**M. COM DEGREE END SEMESTER EXAMINATION - MARCH 2024**  
**SEMESTER 4 - COMMERCE**

**COURSE : 21P4COMT19EL - DERIVATIVES AND RISK MANAGEMENT**

*(For Regular - 2022 Admission and Supplementary - 2021 Admission)*

Duration : Three Hours

Max. Weights: 30

**PART A****Answer any 8 questions****Weight: 1**

1. What is off-setting? ( )
2. What are the underlyings for: (a) Commodity derivatives (b) Financial derivatives ( )
3. Is there any difference between option price and option premium? ( )
4. What are the instruments traded in derivative market? ( )
5. Define future contract. ( )
6. What is credit risk in a forward contract? ( )
7. List the major S&P stock indices. (U)
8. What is Sensex? How is it computed? ( )
9. What is a commodity swap? ( )
10. What is meant by arbitrage? What is its significance in the determination of futures prices? ( )

**(1 x 8 = 8)****PART B****Answer any 6 questions****Weights: 2**

11. Describe the uses of currency swaps. ( )
12. Discuss the disadvantages of forward contracts. ( )
13. How is the forward exchange rate of foreign currencies determined as per the Expectations theory? ( )
14. Compare and contrast the Black-Scholes model with the Binomial model. ( )
15. Discuss the cost-of-carry model of futures pricing. ( )
16. Describe the functions of a Stock Exchange? ( )
17. Determine the futures price from the following data:  
 Spot price                      Rs. 320,00,000  
 Cost-of-carry                    10 % p.a. ( )  
 Carry period                    6 Months  
 Use cost of carry model.
18. Explain the following with suitable examples:  
 (a) Spot Price      (b) Future Spot Price      (c) Delivery Price (d) Forward Price (e) Continuous Compounding. ( )

**(2 x 6 = 12)****PART C****Answer any 2 questions****Weights: 5**

19. What is the difference between open interest and trading volume. In a futures contract, the open interest may not change in spite of a high volume of trading. Explain Why? (A)

20. Define Swaps. Discuss on the types of Financial Swaps . (A)
21. How do forward contracts work? Discuss. ()
22. Discuss the evolution and growth of derivative markets in India. ()
- (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;