Reg. No ..... Name **26P454**

M. COM DEGREE END SEMESTER EXAMINATION - MARCH 2026

SEMESTER 4 : COMMERCE

COURSE : **24P4COMT19EL : DERIVATIVES AND RISK MANAGEMENT**

(For Regular 2024 Admission)

Time : Three Hours Max. Weights: 30

PART A

Answer any 8 questions **Weight: 1**

1.	Define financial system.	(R, CO 1)
2.	What do you mean "u" factor? How it is calculated?	(U, CO 5, CO 7)
3.	What is a commodity swap?	(U, CO 7)
4.	What do you mean by European style of an option?	(U, CO 6, CO 7)
5.	What do you mean by TSD?	(U, CO 1)
6.	What is convenience yield?	(U, CO 1)
7.	What is call money?	(U, CO 1)
8.	What are options? Distinguish between call option and put option.	(U, CO 1)
9.	List the major S&P stock indices.	(U)
10.	What is Contago?	(U, CO 1, CO 4)

(1 x 8 = 8)

PART B

Answer any 6 questions **Weights: 2**

11.	Describe and illustrate the cost-of-carry model of futures pricing in perfect market environment.	(A, CO 1, CO 4, CO 7)
12.	What are the defects of Indian money market?	(U, CO 1)
13.	How does a bull and bear speculator functions?	(U, CO 1)
14.	Compare and contrast the Black-Scholes model with the Binomial model.	(U, CO 4, CO 6, CO 7)
15.	A six month gold future of contract of 100 gm. Assume that the Spot price is Rs. 2,500 per gram and that it cost Rs. 10 per gram for the six month period and the cost is incurred at the end of the period. If the risk less interest rate is 12% p.a. compounded continuously. Calculate the future price.	(An, CO 2, CO 3, CO 6)
16.	What is foreign exchange risk?	(U, CO 1, CO 5, CO 7)
17.	"The upward and downward movements in asset prices have a negative as well as a positive result." Explain.	(U, CO 1)
18.	Distinguish between hedgers and speculators in the derivatives market.	(U, CO 1)

(2 x 6 = 12)

PART C

Answer any 2 questions **Weights: 5**

19.	What are the instruments used in a capital market.	(U, CO 1)
20.	Define forward contract. Discuss its features with suitable examples.	(U, CO 1)
21.	What is a Currency Swap? What are the features? Disscus.	(U, CO 5, CO 7)

22. 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? (U, CO 1)

(5 x 2 = 10)

OBE: Questions to Course Outcome Mapping

CO	Course Outcome Description	CL	Questions	Total Wt.
CO 1	demonstrate an understanding of the uses of financial engineering and risk management approaches and techniques used by modern organisations	U	1, 5, 6, 7, 8, 10, 11, 12, 13, 16, 17, 18, 19, 20, 22	33
CO 2	Apply their knowledge of derivatives in solving problems involving financial risk including foreign risk, interest rate risk, credit risk and portfolio risk	A	15	2
CO 3	analyse and price diverse derivative products to generate an optimal risk management stratergy	An	15	2
CO 4	demonstrate critical thinking, analytical and problem solving skills in the context of derivatives pricing and hedging practices	E	10, 11, 14	5
CO 5	explain the binomial model and its extension in continuous time to the black scholes model	E	2, 16, 21	8
CO 6	demontrate and understanding of pricing forwards, futures and options contract	An	4, 14, 15	5
CO 7	be able to decide which securities to use for hedging and/ or speculative purposes	An	2, 3, 4, 11, 14, 16, 21	14

Cognitive Level (CL): Cr - CREATE; E - EVALUATE; An - ANALYZE; A - APPLY; U - UNDERSTAND; R - REMEMBER;