506575

D 101146 **(Pages : 2)** **Name.......................................**

Reg. No..................................

FOURTH SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY) EXAMINATION, APRIL 2024

(CBCSS)

Master of Commerce

MCM4C14—FINANCIAL DERIVATIVES AND RISK MANAGEMENT

(2019 Admission onwards)

Time : Three Hours Maximum : 30 Weightage

Answers should be written in English only.

Part A

Answer any **four** *questions.*
Each question carries 2 *weightage.*

1. Distinguish between Pure risk and Speculative risk.
2. What do you mean by Enterprise Risk Management ?
3. What is the main objective of Risk Management ?
4. What is Asian Option ?
5. What is VAR ?
6. What is Long Hedge ?
7. What is Contango market ?

(4 × 2 = 8 weightage)

Part B

Answer any **four** *questions.*
Each question carries 3 *weightage.*

8. Explain history of Derivative trading in India.
9. Briefly explain the classifications of Derivatives.
10. Write short note on: (a) Straddle, (b) Initial Margin, (c) Option Premium.
11. Explain the process of risk management.
12. Distinguish between Futures and Options.
13. Who are Arbitrageurs? Discuss their functions in the derivative markets.
14. Explain Binomial Option Pricing Model.

(4 × 3 = 12 weightage)

Turn over

506575

506575

Part C

Answer any **two** *questions.*
Each question carries 5 *weightage*

15. What is risk ? Explain different types of risk.

16. Explain Black Scholes Option Pricing Model.

17. Explain different Option trading strategies.

18. Explain the Hedging strategies using futures.

(2 × 5 = 10 weightage)

506575

D 101146-A **(Pages : 4)** **Name.......................................**

Reg. No..................................

FOURTH SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY) EXAMINATION, APRIL 2024

(CBCSS)

Master of Commerce

MCM4C14—FINANCIAL DERIVATIVES AND RISK MANAGEMENT

(2019 Admission onwards)

[Improvement Candidates need not appear for MCQ Part]

(Multiple Choice Questions for SDE Candidates)

Time : 20 Minutes	**Total No. of Questions : 20**	**Maximum : 5 Weightage**

INSTRUCTIONS TO THE CANDIDATE

1. This Question Paper carries Multiple Choice Questions from 1 to 20.
2. The candidate should check that the question paper supplied to him/her contains all the 20 questions in serial order.
3. Each question is provided with choices (A), (B), (C) and (D) having one correct answer. Choose the correct answer and enter it in the main answer-book.
4. The MCQ question paper will be supplied after the completion of the descriptive examination.

506575

MCM4C14—FINANCIAL DERIVATIVES AND RISK MANAGEMENT

(Multiple Choice Questions for SDE Candidates)

1. The payoffs for financial derivatives are linked to :

   (A) Securities that will be issued in the future.

   (B) The volatility of interest rates.

   (C) Previously issued securities.

   (D) Government regulations specifying allowable rates of return.

2. Financial Derivatives include :

   (A) Stocks. (B) Bonds.

   (C) Futures. (D) None of these.

3. The markets in which derivatives are traded is known as :

   (A) Asset backed market. (B) Cash market.

   (C) Mortgage market. (D) Derivative market.

4. The contract which gives the buyer the right but not obligation :

   (A) Options. (B) Futures.

   (C) Swaps. (D) Forwards.

5. The buyer in the derivative contract is also known as :

   (A) Deep in the contract. (B) Middle in the contract.

   (C) Short in the contract. (D) Long in the contract.

6. An option contract with commodities as underliers :

   (A) Commodity option. (B) Currency option.

   (C) Stock index option. (D) None of the above.

7. The difference between the spot price and strike price of the future contract is :

   (A) Basis. (B) Margin.

   (C) Premium. (D) Strike price.

506575

506575

8. The system of daily settlement in the future market is known as ———————— settlement.

    (A) Mark to market. (B) Market making.

    (C) Market backwardation. (D) Market moving.

9. The persons who enter into derivative contract in anticipation of lower expected return at the reduced risk :

    (A) Hedgers. (B) Speculators.

    (C) Spreaders. (D) Arbitrageurs.

10. A trading strategy that takes a short position in an asset where the investor or trader is already long.

    (A) Long hedge (B) Short hedge

    (C) Perfect hedge. (D) Imperfect hedge.

11. The hedging strategy which results in exact offsetting of gains and losses in the futures market and physical market is known as :

    (A) Short hedge. (B) Long hedge.

    (C) Imperfect hedge. (D) Perfect hedge.

12. The underlying amount in a swap contract :

    (A) Basis. (B) Notional principle.

    (C) Vested amount. (D) Capital.

13. Options on futures contracts are referred to as :

    (A) Stock options. (B) Future Options.

    (C) American options. (D) Individual Options.

14. The main advantage of using options on futures contracts rather than the futures contracts themselves is that :

    (A) Interest rate risk is controlled while preserving the possibility of gains.

    (B) Interest rate risk is controlled, while removing the possibility of losses.

    (C) Interest rate risk is not controlled, but the possibility of gains is preserved.

    (D) Interest rate risk is not controlled, but the possibility of gains is lost.

Turn over

506575

506575

15. The main reason to buy an option on a futures contract rather than the futures contract is :

    (A) To reduce transaction cost. (B) To preserve the possibility for gains.

    (C) To limit losses. (D) Remove the possibility for gains.

16. A swap where are one stream of future interest payments is exchanged for another based on a specified principal amount :

    (A) Interest rate swaps. (B) Index amortizing swap.

    (C) Asian swaps. (D) Roller coaster swap.

17. Futures differ from forwards because they are :

    (A) Used to hedge portfolios.

    (B) Used to hedge individual securities.

    (C) Used in both financial and foreign exchange markets.

    (D) Marked to market daily.

18. Standardized futures contracts exist for all of the following underlying assets except :

    (A) Stock indexes. (B) Gold.

    (C) Common stocks. (D) Common stocks.

19. Using futures contracts to transfer price risk is called :

    (A) Hedging. (B) Diversifying

    (C) Arbitrage. (D) Speculating.

20. Which of the following has the right to sell an asset at a predetermined price ?

    (A) A put writer. (B) A put buyer.

    (C) A call buyer. (D) A call writer.

506575