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(Pages : 3)

Name.....

Reg. No.....

SIXTH SEMESTER B.Com./B.B.A. DEGREE EXAMINATION, MARCH 2020

(CUCBCSS—UG)

B.Com.

BCM 6B 14—FINANCE SPECIALISATION—III : FINANCIAL DERIVATIVES

(2017 Admissions)

Time : Three Hours

Maximum : 80 Marks

Part A

Answer all questions.

Each question carries 1 mark.

(A) Choose the correct answer :

- 1 Which of the following is not a financial derivative ?
 - (a) Stock.
 - (b) Futures.
 - (c) Options.
 - (d) Forward contracts.
- 2 The strike price of an option is :
 - (a) The market price at the time the option is written.
 - (b) The market price at the time the option is exercised.
 - (c) The price at which the option holder has to right to buy or sell.
 - (d) Above the market price.
- 3 A put option described as in-the-money would find :
 - (a) The market price of the stock above the strike price.
 - (b) The strike price is above the market price of the stock.
 - (c) The market and strike prices are the same.
 - (d) None of these.
- 4 An option that can be exercised at any time up to maturity is called _____.
 - (a) Bermudan option.
 - (b) Stock option.
 - (c) European option.
 - (d) American option.

Turn over

- 5 The amount paid for an option is the _____.
- (a) Strike price. (b) Premium.
(c) Discount. (d) Commission.

(B) Fill in the blanks :

- 6 The theoretical price of a futures contract is spot price of the underlying plus _____.
- 7 Futures contracts, unlike forwards, are traded on _____.
- 8 Forward contracts can be worth less than _____.
- 9 _____ delivery is common with commodities and bonds.
- 10 The price of the swap is the difference between the values of two _____.

(10 × 1 = 10 marks)

Part B (Short Answer Questions)

Answer any eight questions.

Each question carries 2 marks.

- 11 What are the underlying assets for a derivative instrument ?
- 12 What do mean by basis risk ?
- 13 Write a short note on currency futures.
- 14 What do you mean by intrinsic value ?
- 15 Who are the parties involved in a swap contract ?
- 16 What do you mean by open interest ?
- 17 What is an option strategy ?
- 18 What is hedging ?
- 19 What do you mean by marking to market ?
- 20 What is option pay-off ?

(8 × 2 = 16 marks)

Part C (Short Essay Questions)

Answer any six questions.

Each question carries 4 marks.

- 21 Discuss the need and importance of derivatives.
- 22 Write a short note on exchange traded derivatives in India.

- 23 Discuss the features of forward Contracts.
- 24 Explain various strategies of hedging with futures.
- 25 Explain in details various settlements in derivative markets.
- 26 'Future contracts are obligations, whereas options are rights'. Do you agree ?
- 27 Explain the economic functions of swap transactions.
- 28 Briefly explain the bullish strategies for option contract.

(6 × 4 = 24 marks)

Part D (Essay Questions)

Answer any two questions.

Each question carries 15 marks.

- 29 Discuss the evolution of derivatives trading in India.
- 30 Briefly discuss the features, merits and demerits of future contracts.
- 31 Discuss the various types of swaps and their features.

(2 × 15 = 30 marks)