QP CODE: 21001057

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Reg No : ....

Name : ....

M COM DEGREE (CSS) EXAMINATION, JULY 2021

Fourth Semester

Faculty of Commerce

Elective - CM800401 - DERIVATIVES AND RISK MANAGEMENT

M.COM FINANCE AND TAXATION, M.COM FINANCE AND TAXATION (SF)

2019 Admission Onwards

C82E03C4

Time: 3 Hours | Weightage: 30

Part A (Short Answer Questions)

*Answer any **eight** questions.*

*Weight **1** each.*

1. An amount of Rs.50,000 is invested for 3 years at 12% annual interest. Calculate the terminal value of the investment at the end of three years, when interest is compounded annually.
2. What do you mean by country risk in currency market?
3. What is forward rate differentials?
4. Explain forward market.
5. Distinguish between commodity futures and financial futures.
6. Explain the need for 'maintenance margin' in futures trading.
7. What are Stock Futures?
8. What are index options?
9. What is put-call parity?
10. What do you know about CDS?

(8×1=8 weightage)

Part B (Short Essay/Problems)

*Answer any **six** questions.*

*Weight **2** each.*

11. Explain about the major participants in derivative market.

12. A portfolio manager holds an investment portfolio having a value of Rs.20,00,000. The standard deviation of daily returns of the investment portfolio is 0.81%. There are 22 trading days in a month. Calculate monthly VaR with 95% confidence level.

13. Give a note on the covering operations of banks in currency forward market.

14. Suppose the spot price of Gold (10gms) is Rs. 40,000. Interest rate for borrowing is 10% and lending is 8%. If the transaction cost is 2% of transaction amount, calculate the futures price of 6-months Gold futures in an imperfect market.

15. Explain how an interest rate futures helps borrowers and lenders to hedge.

16. Explain the impact of the following variables on option price: (a) Current Stock Price (b) Time to expiration (c) Volatility of the stock prices

17. What is a Straddle strategy and when is it appropriate to use?

18. Discuss the major limitations of Swaps.

(6×2=12 weightage)

Part C (Essay Type Questions)

*Answer any **two** questions.*

*Weight **5** each.*

19. Describe the regulatory framework for derivatives trading in India.

20. Write a note on IRP Theory. How can it be used for forward price determination?

21. Discuss commodity futures and Commodity exchanges. Give a brief note on the important commodity exchanges in India.

22. The current market price of a stock of Coal India is Rs.150. The stock has a volatility of 40%. The risk-free interest rate is 10% per annum. Using the binomial tree with monthly intervals calculate (a) the three possible prices for the stock after two periods. (b)The value of a European call option on the stock with an exercise price of Rs.160.

(2×5=10 weightage)