K21P 1030

Reg. No. : ....

Name : ....

III Semester M.Com. Degree (CBSS – Reg./Suppl./Imp.) Examination, October 2021
(2018 Admission Onwards)
COM 3C14 : DERIVATIVES AND RISK MANAGEMENT

Time : 3 Hours   Max. Marks : 60

SECTION – A

Answer **any four** questions in this Section. **Each** question carries **1** mark for part (**a**), **3** marks for part (**b**) and **5** marks for Part (**c**).

1. a) Explain the term exotic options.

   b) What do you mean by "strangle" ?

   c) What do you mean by "collar width" ?

2. a) Explain the term 'out-of-money'.

   b) Differentiate between hedging and speculations.

   c) Explain the risk involved in derivative markets.

3. a) What do you mean by ration spread ?

   b) Expand and explain STRIPS.

   c) Differentiate between forwards and futures.

4. a) Expand and explain FTSE.

   b) What do you mean by commodity feature ?

   c) What is call options ? What are its features ?

5. a) What do you mean by American option ? Explain its features.

   b) Explain the parties in future contract.

   c) What is put bear spread ? Explain its features.

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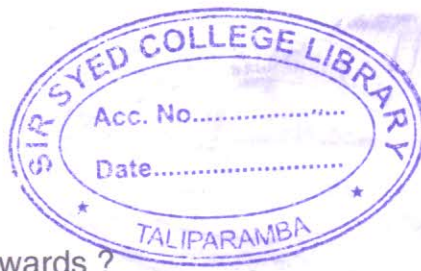
6. a) What is meant by forwards ?

   b) Explain the term hedging.

   c) How do you classify the forwards and future ?   (4×9=36)

SECTION – B

Answer **any two** questions in this Section. **Each** question carries **12** marks.

7. a) Define currency futures. What are its features ? Discuss the hedging with currency futures.

   OR

   b) Current market price of the shares of A Ltd. is Rs. 100 and an option with exercise price of Rs. 115 for a call option with twelve months to expiration. It is expected that spot price of these shares at the end of three months from now might increase by 60% of the current spot price or it might decline by 20% of the current spot price. If risk free rate of interest is 10% p.a., find out the price of the call option.

8. a) Discuss the regulatory framework of derivative trading in India.

   OR

   b) Explain briefly the different classification of options.   (2×12=24)

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