D 42612 (Pages : 2) Name.....................................

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

FOURTH SEMESTER M.Com. DEGREE EXAMINATION, JUNE 2018

(CUCSS)

MC 4C 14—FINANCIAL DERIVATIVES AND RISK MANAGEMENT

(2015 Admissions)

Time : Three Hours Maximum : 36 Weightage

Part A

Answer **all** *questions.*
Each question carries 1 *weightage.*

1. What is spot price ?
2. Define index option.
3. What is derivative exposure ?
4. What is *out-of-money* position ?
5. What do you mean normal backwardation ?
6. What is 'put call parity' ?

(6 × 1 = 6 weightage)

Part B

Answer any **six** *of the following.*
Each question carries 3 *weightage.*

7. "Future contracts are obligations, whereas options are rights". Do you agree ? Justify it.
8. What is an option ? What is the difference between a call option and a put option.
9. What is a currency swap ? How does currency swap reduce exposure to risk ?
10. Discuss the important economic functions performed by the derivative markets.
11. Illustrate 'in-the-money' and 'out-of-the money' positions in both call option and put option.
12. Futures contracts are improvised forward contracts-Do you agree ? Explain.
13. What is basis and basis convergence ?

(6 × 3 = 18 weightage)

Turn over

Part C

Answer any **two** *of the following.*
Each question carries 6 *weightage.*

14. "Hedging is to provide insurance against adverse fluctuations in the price movements" Do you agree ? Discuss the statement with the help of suitable examples.
15. What do you understand by marking-to-the-market ? Explain its purpose with suitable example.
16. Explain the functions which the banks or financial institutions discharge in a swap deal.

(2 × 6 = 12 weightage)