

**SIXTH SEMESTER B.Com./B.B.A. DEGREE EXAMINATION, MARCH 2021**

(CUCBCSS—UG)

B.Com.

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

(2017 Admissions)

Time : Three Hours

Maximum : 80 Marks

**Section A**

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

(A) Choose the correct answer :

- 1 The number of futures contracts outstanding is called \_\_\_\_\_.
  - a) Liquidity.
  - b) Open interest.
  - c) Contango.
  - d) Float.
- 2 The differential between the spot price and the futures price is known as :
  - a) Spread.
  - b) Basis.
  - c) Differential rate.
  - d) Gap.
- 3 Which of the following has the right to sell an asset at a predetermined price ?
  - a) A call writer.
  - b) A put writer.
  - c) A put buyer.
  - d) A call buyer.
- 4 A put option has a strike price of Rs. 35. The price of the underlying stock is currently Rs. 42. The put is said to be :
  - a) In the money.
  - b) Out of the money.
  - c) At the money.
  - d) Near the money.
- 5 The financial institution that guarantees both sides of a future trade is called the :
  - a) Clearing house.
  - b) Future commission merchant.
  - c) SEC.
  - d) Future exchange.

**Turn over**

(B) Fill in the blanks :

- 6 Commodity futures markets are regulated in India by \_\_\_\_\_.
- 7 \_\_\_\_\_ is defined as the futures price minus the spot price.
- 8 In futures trading initial margin is paid by \_\_\_\_\_.
- 9 A \_\_\_\_\_ option can be exercised on the expiration date only.
- 10 An increase in the volatility of the underlying asset, all other things held constant, will \_\_\_\_\_ the option premium.

(10 × 1 = 10 marks)

### Section B (Short Answer Questions)

*Answer at least five questions.*

*Each question carries 4 marks.*

*All questions can be attended.*

*Overall Ceiling 20.*

- 11 What do you mean by derivative markets ?
- 12 Who are speculators ?
- 13 What is variation margin ?
- 14 What is customised contract ?
- 15 Define cost of carry.
- 16 State the meaning interest rates futures.
- 17 What is meant by option delta ?
- 18 What is put option ?
- 19 What is currency swaps ?
- 20 What is swaption ?

(5 × 4 = 20 marks)

### Section C (Short Essay Questions)

*Answer at least four questions.*

*Each question carries 8 marks.*

*All questions can be attended.*

*Overall Ceiling 32.*

- 21 What are the functions of derivative markets ?
- 22 What are the demerits of and demerit of OTC derivatives ?

- 23 What are the classification of forward contracts ?
- 24 Differentiate between Option and Futures.
- 25 Briefly explain the various types of options.
- 26 Explain the basic positions of an option contract.
- 27 What are the various types of interest rate swaps ?
- 28 Write a short note on :
  - a) Straddle.
  - b) Strangle.

(4 × 8 = 32 marks)

**Section D (Essay Questions)**

*Answer any one question.*

*The question carries 18 marks.*

- 29 Briefly discuss the various derivative instruments traded in Indian financial and commodity markets.
- 30 Define Futures. Discuss the various types of future contract.
- 31 Define Swaps. State the features, merits and demerits of swaps.

(1 × 18 = 18 marks)