



QP CODE: 26019535



26019535

Reg No :

Name :

M.Com DEGREE (CSS) EXAMINATION, MARCH 2026

Fourth Semester

M.COM FINANCE AND TAXATION (SF)

ELECTIVE - CM800401 - DERIVATIVES AND RISK MANAGEMENT

2019 Admission Onwards

4A5BD3CD

Time: 3 Hours

Weightage: 30

Part A (Short Answer Questions)

*Answer any **eight** questions.*

Weight 1 each.

1. Calculate the terminal value of an investment of Rs.1,50,000 invested for 2 years at the annual interest rate of 14.56%, assuming continuous compounding of interest.
2. What is commodity credit risk?
3. Explain about forward market.
4. What do you mean by covering operations of banks in currency forwards?
5. Distinguish between long position and short position in futures trading.
6. What is meant by physical settlement of a futures contract?
7. Explain the concept of 'no-arbitrage bounds' in the cost of carry model.
8. Distinguish between Naked and Covered Options.
9. Distinguish between Straps and Strips option strategies.
10. Differentiate between Interest Rate Swaps and Currency Swaps.

(8×1=8 weightage)

Part B (Short Essay/Problems)

*Answer any **six** questions.*

Weight 2 each.

11. Explain briefly the major players in the derivatives market.
12. What are the uses of VaR?





13. Write a note on how forward prices are determined in case of an investment asset with known cash income.
14. Explain how index futures are useful in hedging risk. How hedging through index futures is different from using stock futures?
15. Shares of IPL Ltd are selling on market at Rs. 160. The risk-free interest rate is 4 % p.a. Calculate the futures price of a contract expiring in 1 month using available information.
16. The stock price of RIL in spot market is Rs.2,225 and two month option contract is trading at Rs 2245. At what prices the option will be at-the-money, out-of-the-money and in-the-money, if both call as well as put options of RIL at same strike price are available?
17. What are the assumptions in Binomial Option Pricing Model?
18. Discuss how Swaps helps to overcome asset liability mismatch.

(6×2=12 weightage)

Part C (Essay Type Questions)

*Answer any **two** questions.*

Weight 5 each.

19. Trace the origin of derivatives trading in the world as well as in India.
20. Write a note on IRP Theory. How can it be used for forward price determination?
21. Give a brief account of interest rate futures. Explain its uses to various types of hedgers.
22. What is the price of a European put option that expires in 180 days time with a strike price of Rs.45, when the underlying ius traded at Rs.50? It is also given that the stock will pay a dividend of Rs.2 in 45 days time and the interest rate is 10% p.a. Assume the volatility of the stock as 25 p.a. Use Black Scholes option pricing model.

(2×5=10 weightage)

