

QP CODE: 26019627



Reg No :

Name :

M.Com DEGREE (CSS) EXAMINATION, MARCH 2026

Fourth Semester

Master of Commerce and Management

ELECTIVE - CM900401 - FINANCIAL DERIVATIVES

2020 Admission Onwards

C02AFB56

Time: 3 Hours

Weightage: 30

Part A (Short Answer Questions)

*Answer any **eight** questions.*

Weight 1 each.

1. Who is a hedger?
2. Calculate the value of a deposit of Rs.3 ,000 made today, for 3 years hence if the interest rate is 10% compounded continuously.
3. What are long term interest rate futures?
4. Distinguish between commodity futures and financial futures.
5. What do you know about currency forwards?
6. List out the areas where currency futures are found to be useful.
7. The share of X ltd co. priced at Rs.120, put option with strike price of Rs.130 are priced at Rs.15. a. What is the intrinsic value of option? b. What is the time value of option?
8. Narrate interest rate swaps.
9. What is meant by equity instrument?
10. How do you measure liquidity risk?

(8×1=8 weightage)





Part B (Short Essay/Problems)

Answer any **six** questions.

Weight 2 each.

11. Explain with an example how derivatives help to hedge the risk.
12. The risk free interest rate is 10% p.a with continuous compounding. The dividend yield on Nifty is 5% p. a. Nifty currency stands at 15,000. Determine the forward price for 4 month Nifty forward contract.
13. Illustrate how index futures can be used for hedging risk in portfolio investment.
14. Describe and illustrate how currency futures can be used for hedging foreign exchange risk.
15. Distinguish between Exchange Traded Options and OTC traded options. Which options are popular? And why?
16. The current market price of a stock is Rs.20. The strike price of three month option for that company's stock is also Rs.20. The risk free interest rate is 12% and the variance of returns is 0.16. Calculate the price of the stock option under Black Scholes Model.
17. Briefly explain the advantages and disadvantages of hybrid securities.
18. Explain spread lock strategy in asset liability management.

(6×2=12 weightage)

Part C (Essay Type Questions)

Answer any **two** questions.

Weight 5 each.

19. Write an essay on history of derivatives.
20. What is a Commodity Future Contract? Explain Cost of carry model in Commodity futures pricing.
21. Explain in detail the different trading strategies suitable for currency derivatives.
22. The current market price of Ambuja Cements is Rs.133. The interest rate on Government securities is 9.5% p.a. and the stock has a volatility is 65%. Use a binomial tree with monthly intervals to calculate:
 - (a) Possible stock prices after 2 intervals
 - (b) The value of the European call option on the stock with an exercise price of Rs.130.

(2×5=10 weightage)

