



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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