44004-A

M.Com., DEGREE EXAMINATIONS – APRIL 2017

IV SEMESTER

COMMERCE

PAPER – IV: FINANCIAL DERIVATIVES

(No additional sheet will be supplied)

Time: 3 Hours **Max.Marks: 75**

PART – A

Answer *any Five* Questions **5 x 3 = 15 Marks**

Each Question carries *Three (3)* Marks

Each Answer should not exceed *One (1)* page

1. Define Future Contract.
2. What are Stock Indices?
3. Distinguish between American and European Options.
4. What is a Swap Agreement?
5. What are Credit Derivatives?
6. Discuss the types of Options.
7. What are Financial Futures?
8. What are Equity Swaps?

PART – B

Answer *all* Questions **4 x 15 = 60 Marks**

Each Question carries *Fifteen (15)* Marks

Each Answer should not exceed *six (6)* pages

9. State the differences between forwards and futures.

(OR)

10. Explain the emerging structure of derivatives markets in India.

11. Explain briefly about the futures market trading mechanism.

(OR)

12. On March 20, a company X negotiated a contract to sell 2 million barrels of oil. It is agreed that the price that will apply in the contract is the price on August 20th . Company is in a position whereby it will gain Rs. 1,000 for each 1% increase in price of oil and will lose Rs. 1,000 for each 1% decrease in price of oil. Suppose the spot price on commodity exchange is Rs. 29 per barrel. Explain how the strategy works if contract on commodity market is for delivery of 200 barrels.

13. Explain the Black Scholes model and highlights its limitations.

(OR)

14. What are the bullish strategies for option trading? Discuss.

15. What is currency swap? How does currency swap reduce exposure to risk?

(OR)

16. Discuss the nature of currency swaps and explain different types of currency swaps.