



0141458

K19P 1142

Reg. No. :

Name :

III Semester M.Com Degree (CBSS-Reg./Suppl./Imp.)
Examination, October - 2019
(2017 Admn. Onwards)
COM3C14 : 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). **(4×9=36)**

1. a) What is a future contract?
b) Explain the uses of futures.
c) Explain the different types of Futures
2. a) Who are speculators?
b) Which are the various commodity exchanges in India?
c) Describe the significance of derivatives.
3. a) What do you mean by option pricing?
b) Discuss the pricing of American Options.
c) Explain the long and short straddle.
4. a) What is hedging?
b) Explain hedging through forwards.
c) A one year long forward contract on a non dividend paying stock is entered into when the stock price is Rs.420 and the risk free rate is 10% p.a with continuous compounding. What should be the forward price of the contract?
5. a) What do you mean by Time value of options?
b) Differentiate between options and futures.
c) Discuss the various types of options.

P.T.O.



6. a) What is strike price?
b) Explain how put call parity is used in calculating put option prices.
c) Explain the Black Scholes model of option pricing.

SECTION - B

Answer any **two** questions in this section. Each question carries **12** marks.
(2×12=24)

7. a) Explain the cost of carry model in perfect and imperfect market environment.
(OR)
b) Discuss the uses, merits and demerits of forwards.
8. a) What do you mean by derivatives? Explain the different types of derivatives.
(OR)
b) The current market price of ABC Ltd is Rs. 120. The volatility of the stock is 30%. The risk free interest rate is 10% p.a. calculate the value of European call option on the stock with a strike price of Rs. 130 using Binomial model with monthly intervals. Also depict the possible stock price after two time intervals on binomial tree.
-