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Reg. No.....

Name.....

M.Com. DEGREE (C.S.S.) EXAMINATION, MAY 2020

Fourth Semester

Faculty of Commerce

Branch—Finance

FM04 E02—FINANCIAL MARKETS AND DERIVATIVES

(2012 Admission onwards)

Time : Three Hours

Maximum Weight : 30

Section A

*Answer any **five** questions.*

Each one having 1 weight.

1. Explain Capital Market.
2. What is Primary Market ?
3. Explain Equity Derivatives.
4. What is Initial Margin ?
5. Define Expiration Date.
6. What is Extendable Swap ?
7. Explain Financial Markets.
8. Define Delta Hedge.

(5 × 1 = 5)

Section B

*Answer any **five** questions.*

Each question carries 2 weights.

9. What are the characteristics of Derivatives ?
10. Explain long position and short position in futures.
11. Explain the importance of Money Market.

Turn over





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12. What are Primary Market Instruments ?
13. What is Put-Call parity pricing relationship ?
14. What are the ways of settlement of futures ?
15. What are the weakness of Indian Financial Systems ?
16. List out the factors contributing to the Growth of Derivatives.

(5 × 2 = 10)

Section C

*Answer any **three** questions.
Each question carries 5 weight.*

17. What is Future ? Describe the mechanism of trading in future contracts.
18. What are the risks involved in derivatives ? Explain the role of derivative markets.
19. What are financial assets ? What are its classifications ?
20. Explain Secondary Market. What are stock Indices ? List out the feature of Secondary Market.
21. What are the fundamental opinion strategies ? Explain the features of options.
22. 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 12 months to expiration. It is expected that the spot price of these shares at the end of the 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 using Option Equivalent Method.

(3 × 5 = 15)

