1204N005

Candidate's Seat No :________

M.Com (HPP) (FFS) Sem-4 Examination

CC 16

Financial Derivatives

April 2022

Time : 2-00 Hours] **[Max. Marks : 50**

Instructions: All Questions in **Section I** carry equal marks.
Attempt any **TWO** questions in **Section I.**

Section I

Q.1(a) What is derivative contract? Highlight the difference between OTC contracts and ETD contracts. (10)

Q.1(b) Give a detailed note on forward contract and forward rate agreement. (10)

Q.2(a) Explain the following model of future pricing. (10)
- (i) The expectancy theory model
- (ii) Cost of carry model

Q.2(b) What is MCX and NCDEX? Show their uses and implications in the commodity futures. (10)

Q.3(a) Explain the term "options". Describe the types of options along with their properties. (10)

Q.3(b) Justify the binomial model of options pricing in valuation of option using a relevant example. (10)

Q.4(a) How swap market has evaluated? Also show important features of swap market. (10)

Q.4(b) Elucidate Interest rate swap along with its application. (10)

Section II

Q.5 Multiple Choice Questions (MCQs) (10)

(1) The price at which the underlying asset may be sold or purchased by the option buyer from the option writer is called________.

(a) Open price (b) Buying price
(c) Selling price (d) Exercise price

(2) An agreement between buyer and a seller to immediately exchange a specific asset for payment of cash is an example of________________.

(a) Forward market (b) Futures market
(c) Spot market (d) Option market

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(3) The type of unit which guarantees that all buying and selling will be made by traders of exchange is called__________.

(a) Trading house (b) Guarantee house

(c) Clearing house (d) Professional house

(4) Interest rate futures equals to ______________.

(a) 100 – Interest rate (b) 100 + interest rate

(c) 100 * interest rate (d) 100 / Interest rate

(5) On the expiration date of a futures contract, the price of the contract is ____________.

(a) Always equals to the purchase price of the contract
(b) Always equals to the average price over the life of the contract
(c) Always equals to the average of the purchase price and the price of underlying asset
(d) Always equals the price of underlying asset

(6) A put option has a strike price of $50. The price of the underlying stock is currently $62. The put is:

(a) Near the money (b) At the money

(c) In the money (d) Out of the money

(7) A ________ can be exercised only at the expiration date.

(a) Put option (b) Call option

(c) American option (d) European option

(8) A firm that sells goods to abroad on a regular basis can avoid exchange rate risk by

(a) Buying stock options (b) Selling puts on financial futures

(c) Buying swaption (d) Selling a foreign exchange swap

(9) In the _____ swap, one party with a floating interest rate liability is exchanged with fixed rate liability.

(a) Plain vanilla swap (b) Currency swap

(c) Commodity swap (d) Plain interest swap

(10) A ________ swap provides the party making the fixed payments with the right to terminate the swap to its maturity.

(a) Put swap (b) Call swaption

(c) Extended swap (d) Rate capped swap