**18AFU29**

**PSG COLLEGE OF ARTS & SCIENCE**
(AUTONOMOUS)

**BCom DEGREE EXAMINATION MAY 2023**
(Sixth Semester)

Branch – **COMMERCE (ACCOUNTING & FINANCE)**

# FINANCIAL DERIVATIVES

Time: Three Hours Maximum: 75 Marks

## SECTION-A (10 Marks)

Answer **ALL** questions
**ALL** questions carry **EQUAL** marks (10 x 1 = 10)

1. Financial Derivatives include --------------
   i) Stocks ii) Bonds iii) Futures iv) None of these

2. The payoffs for financial derivatives are linked to -----------------
   i) Securities that will be issued in the future
   ii) The volatility of interest rates
   iii) Previously issued securities
   iv) Government regulations specifying allowable rates of return

3. The contract which gives the buyer the right but not obligation ---------------
   i) Options ii) Futures iii) Swaps iv) Forwards

4. The buyer in the derivative contract is also known as ----------------
   i) Deep in the contract ii) Middle in the contract
   iii) Short in the contract iv) Long in the contract

5. The option contract that can be exercised only at the date of maturity is called ---------------
   i) European option ii) American option
   iii) Bermudan option iv) Call option

6. Option strategy with combination of selling one put option at low strike price and buying put option at a high strike price -----------------
   i) Put bear spread ii) Call bear spread
   iii) Long call butterfly iv) Short call butterfly

7. There are two types of regular options (calls and puts). How many types of barrier options are there?
   i) Two ii) Four iii) Six iv) Eight

8. A fixed look back put option pays off which of the following--------------
   i) The amount by which the final stock price exceeds the minimum stock price
   ii) The amount by which the maximum stock price exceeds the final stock price
   iii) The amount by which the strike price exceeds the minimum stock price
   iv) The amount by which the maximum stock price exceeds the strike price

9. A volatility swap is -----------------
   i) An instrument that swaps the change in the value of a market variable for a fixed amount
   ii) A swap involving an asset whose volatility is greater than a certain level
   iii) An exchange of the implied volatility of an option at a future time for a fixed volatility
   iv) An exchange of the realized volatility of an asset for a fixed volatility

10. Exotic options ---------------
    i) Can always be hedged just as easily as regular options
    ii) Are easier to hedge than regular options
    iii) Are more difficult to hedge than regular options
    iv) Are sometimes easier and sometimes more difficult to hedge than regular options.

**Cont...**

## SECTION - B (35 Marks)

Answer **ALL** Questions

**ALL** Questions Carry **EQUAL** Marks (5 x 7 = 35)

11. a) Explain the advantages of derivatives.

OR

b) Describe any five features of financial derivatives.

12. a) Analyse any five features of forward Contracts.

OR

b) Classify the advantages of Forward Trading Mechanism.

13. a) Outline the various types or financial future Contracts.

OR

b) Describe Stock Futures and Interest Rate Future.

14. a) What is forward contract? How the forward contract is differ from future contract?

OR

b) Differentiate between future market and option market.

15. a) Classify the types of swaps.

OR

b) State the features of swaps.

## SECTION - C (30 Marks)

Answer any **THREE** Questions

**ALL** Questions Carry **EQUAL** Marks (3 x 10 = 30)

16. Discuss the Regulatory framework in Derivatives markets in India.
17. Explain the classification of Forward Contract.
18. Highlight and Benefits of Forward and Futures Markets in India.
19. What are the main factors determining an Option's Price or Premium?
20. Categorize the types of Interest Rate Swaps.

Z-Z-Z END