

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom DEGREE EXAMINATION MAY 2025
(Sixth Semester)

Branch – COMMERCE (ACCOUNTING & FINANCE)

FINANCIAL DERIVATIVES

Time: Three Hours

Maximum: 50 Marks

SECTION-A (5 Marks)

Answer ALL questions

ALL questions carry EQUAL marks

(5 x 1 = 5)

- 1 Financial derivatives include -----
(i) Forwards (ii) Options
(iii) Futures (iv) All of these
- 2 Forward contracts are risky because they -----
(i) are subject to lack of liquidity (ii) are subject to default risk
(iii) hedge a portfolio (iv) both (i) and (ii) are true
- 3 What is an Index Future?
(i) A type of option contract
(ii) A derivative contract based on a stock index
(iii) A government bond investment
(iv) A fixed-income security
- 4 Which of the following are call options?
(i) The abandonment option on an investment project
(ii) Stand-by underwriting
(iii) Both (i) and (ii)
(iv) The company's option to redeem its bonds at a premium before maturity
- 5 The growth of the interest rate swaps market has been due to firms wanting to ----
(i) Lower the cost of funds (ii) Hedge interest rate
(iii) Lock in profit margins (iv) All of the given choices

SECTION - B (15 Marks)

Answer ALL Questions

ALL Questions Carry EQUAL Marks

(5 x 3 = 15)

- 6 a Classify the different types of Derivatives in India.
OR
b Narrate the participants in derivatives market.
- 7 a Explain the features of Forward Contract.
OR
b Bring out the Advantages and Risks of a Forward Contract.
- 8 a Outline the features of specific characteristics as against the forwards.
OR
b Summarize the Features of Currency Futures.

Cont...

- 9 a State the various Uses of Options.
OR
b Distinguish between Call Vs. Put Option.

- 10 a Explain the features of financial swaps.
OR
b Analyze the Importance of Swaps.

SECTION -C (30 Marks)
Answer any Three questions
ALL questions carry EQUAL Marks (3 x 10 = 30)

- 11 Categorize the Regulatory Framework of Derivatives Trading in India.
12 Enumerate the different types of forward contracts.
13 Elucidate the Pros and Cons of Interest Rate Futures.
14 Distinguish between Options and Futures.
15 Identify the advantages and Disadvantages of swap.

Z-Z-Z

END