23AFU627N

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom DEGREE EXAMINATION MAY 2026
(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 × 1 = 10)

Module No.	Question No.	Question	K Level	CO
1	1	What is a derivative? (i) A physical asset (ii) A financial instrument whose value depends on an underlying asset (iii) A banking product (iv) A government bond	K1	CO1
	2	Which of the following is an example of a financial derivative? (i) Gold (ii) Crude oil (iii) Stock futures (iv) Real estate	K2	CO1
2	3	A forward contract is traded in which market? (i) Stock exchange (ii) OTC market (iii) Commodity exchange (iv) Money market	K1	CO2
	4	Which of the following is a feature of forward contracts? (i) Standardized contracts (ii) Traded on exchanges (iii) Customized agreements (iv) Daily settlement	K2	CO2
3	5	Futures contracts are traded on (i) OTC market (ii) Stock exchanges (iii) Private platforms (iv) Banks only	K1	CO3
	6	Which of the following is a use of futures? (i) Speculation (ii) Hedging (iii) Arbitrage (iv) All of the above	K2	CO3
4	7	A call option gives the holder the right to (i) Sell an asset (ii) Buy an asset (iii) Hold an asset (iv) Exchange an asset	K1	CO4
	8	Which of the following best describes a put option? (i) Right to buy an asset (ii) Obligation to sell an asset (iii) Right to sell an asset (iv) Obligation to buy an asset	K2	CO4
5	9	A swap is an agreement to (i) Buy stocks (ii) Exchange cash flows (iii) Trade commodities (iv) Issue bonds	K1	CO5
	10	Which type of swap involves exchange of interest payments? (i) Currency swap (ii) Equity swap (iii) Interest rate swap (iv) Commodity swap	K2	CO5

Cont…

SECTION - B (35 Marks)

Answer **ALL** questions
ALL questions carry **EQUAL** Marks (5 × 7 = 35)

Module No.	Question No.	Question	K Level	CO
1	11.a.	Explain the meaning, features, and types of derivatives.	K2	CO1
		(OR)		
	11.b.	Discuss the evolution of derivatives and explain the risks associated with derivatives.		
2	12.a.	Explain the concept, features, and advantages of forward contracts.	K2	CO2
		(OR)		
	12.b.	Describe the forward trading mechanism and distinguish between spot market and forward market.		
3	13.a.	Explain the meaning, features, and uses of futures contracts.	K2	CO3
		(OR)		
	13.b.	Discuss the concept of pricing of futures and explain different types of futures contracts.		
4	14.a.	What is meant by options? Explain the uses of options.	K2	CO4
		(OR)		
	14.b.	Differentiate between call options and put options.		
5	15.a.	Explain the uses of swaps.	K2	CO5
		(OR)		
	15.b.	Discuss different types of financial swaps such as interest rate swaps and currency swaps.		

SECTION -C (30 Marks)

Answer **ANY THREE** questions
ALL questions carry **EQUAL** Marks (3 × 10 = 30)

Module No.	Question No.	Question	K Level	CO
1	16	Explain the significance of derivatives on Trading.	K2	CO1
2	17	Describe the forward trading mechanism.	K2	CO2
3	18	Briefly discuss the pricing of futures.	K2	CO3
4	19	Explain the types of options.	K2	CO4
5	20	Explain the features of Swaps.	K2	CO5

Z-Z-Z END