

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

**BCom DEGREE EXAMINATION MAY 2024  
(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) Stocks	(ii) Bonds
(iii) Forward contracts	(iv) Both (i) & (ii)
- 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) & (ii)
- 3 Futures markets have grown rapidly because futures
 

(i) are standardized.	(ii) have lower default risk.
(iii) are liquid.	(iv) all of the above.
- 4 The seller of an option has the
  - (i) right to buy or sell the underlying asset.
  - (ii) the obligation to buy or sell the underlying asset.
  - (iii) ability to reduce transaction risk.
  - (iv) right to exchange one payment stream for another.
- 5 A swap that involves the exchange of a set of payments in one currency for a set of payments in another currency is a(n)
 

(i) Interest rate swap.	(ii) Currency swap.
(iii) Swap options	(iv) National swap.

**SECTION - B (15 Marks)**

Answer **ALL** Questions

**ALL** Questions Carry **EQUAL** Marks

(5 x 3 = 15)

- 6 a State the regulatory framework for derivatives market in India.  
OR  
b Point out the significance of derivatives .
- 7 a Describe the features of forward contract?  
OR  
b Define forward contract and discuss the trading mechanism of forward market.
- 8 a State the importance of index futures.  
OR  
b Enumerate the features of currency futures.
- 9 a Highlight the uses of options.  
OR  
b Analyze the “option contracts settled”.
- 10 a State the types of financial swaps.  
OR  
b Point out the features of currency swap.

Cont...

**SECTION -C (30 Marks)**

Answer ALL questions

ALL questions carry EQUAL Marks

(5 x 6 = 30)

- 11 a Classify the types of derivatives.  
OR  
b Explain the functions of derivative market.
- 12 a Describe the classification of forward contracts.  
OR  
b Differentiate between spot market and forward market.
- 13 a Identify the uses of futures.  
OR  
b Elucidate the types of index futures.
- 14 a Differentiate between options and futures.  
OR  
b Review the assumptions and limitations of the BS option-pricing model.
- 15 a How are currency swaps and interest rate swaps used for reducing cost? Explain.  
OR  
b What is a currency swap and how is it different operationally from an interest rate swap?

Z-Z-Z

END