

PSG COLLEGE OF ARTS AND SCIENCE  
(AUTONOMOUS)  
BCom DEGREE EXAMINATION DECEMBER 2023  
(Fifth Semester)

Branch – COMMERCE (FINANCIAL SYSTEM)

**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. Which of the following is not a financial derivative?  
(i) Stock (ii) Futures  
(iii) Options (iv) Forward contracts
2. A contract that requires the investor to buy securities on a future date is called a  
(i) short contract (ii) long contract (iii) hedge (iv) cross
3. The price specified on an option that the holder can buy or sell the underlying asset is called the  
(i) premium (ii) call (iii) strike price (iv) put
4. The amount of money involved in swap transaction is classified as  
(i) notion principal (ii) swap principal  
(iii) capital swap (iv) time value of swap
5. KYC compliance is a mandatory exercise under the prevention of  
(i) money laundering act, 2004 (ii) money laundering act, 2002  
(iii) money laundering act, 2006 (iv) money laundering act, 2007

**SECTION - B (15 Marks)**

Answer ALL Questions

ALL Questions Carry EQUAL Marks (5 x 3 = 15)

6. a Describe the functions of derivatives.  
OR  
b Explain the significance of derivatives.
7. a Bring out the features of futures.  
OR  
b Describe the concepts of forward contract.
8. a Write short notes on Trading in call and put options.  
OR  
b Explain the exchange traded vs OTC option.
9. a Explain the features of swap.  
OR  
b Enumerate the valuation of interest rate swaps.
- 10.a Explain the assessing credit risk.  
OR  
b Explain the investors grievances mechanism.

Cont...

**SECTION – C (30 Marks)**

Answer ALL Questions

ALL Questions Carry EQUAL Marks

(5 ×6=30)

- 11.a Discuss about the Concepts and various types of derivatives.  
OR  
b Discover the role of derivatives market, uses and misuses derivatives.
- 12.a Explain the briefly about pricing of future and function of future contract.  
OR  
b Discuss on advantages and disadvantages of forward contract.
- 13.a Enumerate the concepts of trading and settlement.  
OR  
b Different between option and forward contract.
- 14.a Explain briefly about the types of swaps.  
OR  
b Define currency swaps and its valuation of currency swaps.
- 15.a Discuss about types of risk.  
OR  
b Enumerate the investors grievances against listed companies.

Z-Z-Z

END