D 143082 **(Pages : 2)** **Name...**

Reg. No....................................

FOURTH SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY) EXAMINATION, APRIL 2026

(CBCSS)

Master of Commerce

MCM 4C 14—FINANCIAL DERIVATIVES AND RISK MANAGEMENT

(2019 Admission onwards)

Time : Three Hours Maximum : 30 Weightage

Answers should be written in English only.

Part A

Answer any **four** *questions.*
Each question carries 2 *weightage.*

1. What is meant by an underlying asset ? Give examples.
2. What is Option Premium ?
3. What is forward contract ?
4. What is market risk ?
5. What is a put option ?
6. What is Contango market ?
7. What do you mean by currency futures ?

(4 × 2 = 8 weightage)

Part B

Answer any **four** *questions.*
Each question carries 3 *weightage.*

8. What are the features of future contracts ?
9. Distinguish between call option and put option ?
10. What are the characteristics of an exchange traded option contract ?

Turn over

11. What is Straddle ? When it is used for speculation ?
12. Distinguish between commodity future and financial future ?
13. What are the advantages of derivative trading ?
14. Distinguish between hedgers and speculators in the derivatives market ?

(4 × 3 = 12 weightage)

Part C

Answer any **two** *questions.*
Each question carries 5 *weightage.*

15. Describe the different types of risk Management Instruments in Derivative Trading.
16. "Forward contracts are a part of everyday life". Explain ?
17. Explain different types of Swaps. How Swap reduce foreign exchange risk in trading ?
18. Describe the growth of financial derivatives markets in India.

(2 × 5 = 10 weightage)

D 143082–A **(Pages : 4)** **Name.......................................**

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Master of Commerce

MCM 4C 14—FINANCIAL DERIVATIVES AND RISK MANAGEMENT

(2019 Admission onwards)

(Multiple Choice Questions for SDE Candidates)

Time : 20 Minutes	**Total No. of Questions : 20**	**Maximum : 5 Weightage**

INSTRUCTIONS TO THE CANDIDATE

1. This Question Paper carries Multiple Choice Questions from 1 to 20.
2. The candidate should check that the question paper supplied to him/her contains all the 20 questions in serial order.
3. Each question is provided with choices (A), (B), (C) and (D) having one correct answer. Choose the correct answer and enter it in the main answer-book.
4. The MCQ question paper will be supplied after the completion of the descriptive examination.

MCM 4C 14—FINANCIAL DERIVATIVES AND RISK MANAGEMENT

(Multiple Choice Questions for SDE Candidates)

1. The markets in which derivatives are traded is known as :

   (A) Asset backed market. (B) Cash market.

   (C) Mortgage market. (D) Derivative market.

2. The contract which gives the buyer the right but not obligation.

   (A) Options. (B) Futures.

   (C) Swaps. (D) Forwards.

3. ———— are the long dated option traded generally traded over the counter.

   (A) Warrants. (B) LEAPS.

   (C) Baskets. (D) Real option.

4. An option contract with commodities as underliers.

   (A) Commodity option. (B) Currency option.

   (C) Stock index option. (D) None of the above.

5. The test used to check the validity of VaR estimate.

   (A) Black testing. (B) Back testing.

   (C) Back end test. (D) Back to back test.

6. ———— are formed by using the options on the same asset with same strike price but with different expiration dates.

   (A) Box spread. (B) Ratio spread.

   (C) Calendar spread. (D) Call put spread.

7. The type of swap agreement which gives seller the chance to terminate swap at any time before maturity.

   (A) Coupon swap. (B) Callable swap.

   (C) Putable swap. (D) Rate capped swap.

8. What is the time value of option at expiration ?

   (A) Zero.
   (B) Same as strike price.
   (C) Same as exercise price.
   (D) Same as market price.

9. The persons who enter into derivative contract with the objective of covering risk.

   (A) Hedgers.
   (B) Speculators.
   (C) Spreaders.
   (D) Arbitrageurs.

10. A trading strategy that takes a short position in an asset where the investor or trader is already long.

   (A) Long hedge.
   (B) Short hedge.
   (C) Perfect hedge.
   (D) Imperfect hedge.

11. If the maturity of futures contract mismatches future hedging is known as :

   (A) Short hedge.
   (B) Delta hedge.
   (C) Cross hedge.
   (D) Imperfect hedge.

12. The person who takes short position in option contract.

   (A) Option writer.
   (B) Option purchaser.
   (C) Option investor.
   (D) None of the above.

13. The option contract that would lead to zero cash flow if it were exercised immediately.

   (A) At the money option.
   (B) In the money option.
   (C) Out of the money option.
   (D) None of the above.

14. A swap that takes into consideration daily variation of market rates within specific range.

   (A) Barrier swap.
   (B) Corridor swap.
   (C) Digital swap.
   (D) Asian swap.

Turn over

15. The underlying amount in a swap contract :

    (A) Basis. (B) Notional principle.

    (C) Vested amount. (D) Capital.

16. Options on futures contracts are referred to as :

    (A) Stock options. (B) Futures options.

    (C) American options. (D) Individual options.

17. The main advantage of using options on futures contracts rather than the futures contracts themselves is that :

    (A) Interest rate risk is controlled while preserving the possibility of gains.

    (B) Interest rate risk is controlled, while removing the possibility of losses.

    (C) Interest rate risk is not controlled, but the possibility of gains is preserved.

    (D) Interest rate risk is not controlled, but the possibility of gains is lost.

18. A swap agreement created through the synthesis of two swaps differing in duration for the purpose of fulfilling the specific time frame needed of an investor

    (A) Forward swap. (B) Roller coaster swap.

    (C) Amortizing swap. (D) Accreting swap.

19. A swap where are one stream of future interest payments is exchanged for another based on a specified principal amount.

    (A) Interest rate swaps. (B) Index amortizing swap.

    (C) Asian swaps. (D) Roller coaster swap.

20. Standardized futures contracts exist for all of the following underlying assets except :

    (A) Stock indexes. (B) Gold.

    (C) Common stocks. (D) Treasury bonds.