

Sree Chaitanya Mahavidyalaya

M.Com. (Semester-4) Examination-2021

Risk Management and Derivatives

Paper-COMPDSE09T

Full Marks-40

Time-2 Hours

Group-A

1. Answer any five questions

5x2=10

- (a) What is option premium?
- (b) What is an arbitrage position?
- (c) What is forward price?
- (d) What is MIBOR?
- (e) Give two examples of national commodity derivatives exchange in India.
- (f) Initiation date 3rd October, 2020.
Expiration date 1st February, 2021.
Forward Price Rs. 65.
Underlying assets price 1st February, 2021 Rs. 82.
Calculate Short Forward Payoff?
- (g) What is in the money put and call option?
- (h) Distinguish between speculation and hedging.

Group-B

Answer any two questions

5x2=10

- 2. "Forwards are Zero Sum Game"- Discuss.
- 3. a) What are the characteristics of interest rate swap?
b) Counter Party A is long position.
Counter Party B is short position.
Floating rate is MIBOR.
Fixed rate 3%.
Swap tenor is 10 years.
Discuss the impact of future level of MIBOR at >3%, <3% and =3% for interest rate swap counterparties.
- 4. What do you understand by beta of a security?
- 5. Option on ABC 500 Stock Price =Rs 120 Call exercise price=Rs 100 Exercise date= 6 months
Estimated standard deviation=30% Risk free return=8% Determine call option price of the stock as per Black Schools Model. (2.5+2.5)

Group-C

Answer any two questions

10x2=20

6. a) What are the features of Commodity derivatives market?
b) What is counter party credit risk? What are the mechanisms used to manage and minimise the counter party credit risk? [5+ (2.5+2.5)]

7. Consider that company 'A' took a loan of Rs. 1 crore from lender 'C' at 8% MIBOR plus 2% risk premium for 5 years and company 'B' also took a loan of Rs. 1 crore from lender 'D' at 11% p.a. fixed interest rate for 5 years. On 1st April, 2015, company 'A' and company 'B' both entered into an agreement with each other for interest rate swap. The terms of the swap agreement was that company 'A' would pay at 10% p.a. fixed interest to company 'B' and company 'B' would also pay MIBOR plus 1% risk premium to company 'A' for next 5 years.

MIBOR are as follows:

Year	2015-16	2016-17	2017-18	2018-19	2019-20
MIBOR (%)	8	10	11	12	13

Calculate net cash flow of company 'A' and 'B' from 2015-16 to 2019-20 with proper interpretation.

8. What do you mean by Forward Contract? Distinguish between Futures and Forward Contract. 4+6
9. What is currency swap and how does it reduce exposure to risk?

Send your answer scripts to this e-mail

saikatdutta285@yahoo.com