

TM154150A

Reg. No:.....

Name:.....

M. COM. DEGREE (C.S.S.) EXAMINATION, MARCH 2017
SEMESTER IV – COMMERCE
CO4EA2TM – FINANCIAL MARKETS AND DERIVATIVES

Time: Three Hours

Maximum Marks: 75

PART A

I. Answer any five questions. Each question carries 3 marks

1. What is Guilt Edged Securities?
2. What is money at call?
3. Explain STRIPS?
4. What is Offer for Sale?
5. Who are the intermediaries in new issue Market?
6. Explain the following:
a. Jobbers b. Lame Duck
7. What is carrying cost and state its different types? (5x3=15)

PART B

II. Answer any six questions. Each question carries 5 marks

8. Explain the functions of a financial market.
9. Explain the book building process.
10. Distinguish between Speculation and investment.
11. An investor is purchasing a forward contract to buy a non dividend paying shares in three months. Suppose the current Stock price is Rs 100 and the risk free interest rate is 8% per annum. What would be the Shares forward price?
12. Explain cash and carry and reverse cash and carry arbitrage.
13. Distinguish between Forwards and Futures.
14. Explain different Settlement process in futures.
15. Discuss the various volatility option trading strategies.
16. What are the limitations of derivatives? (6x5=30)

PART C

III. Answer any two questions. Each question carries 15 marks

17. Explain various components of a financial system?
18. Explain various functionaries of stock exchange?
19. What do you mean by forwards? Discuss the model for determining forward price of an investment asset

20. The current market price of Anika & Lopez Ltd. is Rs. 120. The volatility of stock is 30%. The risk free interest rate is 10% per annum. Calculate the value of European Call option on the stock with a strike price of Rs 130 using binomial model with monthly intervals. Also depict the possible stock price after three time intervals on binomial tree.

(2x15=30)