

RISHI BANKIM CHANDRA EVENING COLLEGE

M. COM EXAMINATION, 2023

SEMESTER IV

RISK MANAGEMENT AND DERIVATIVES

(COMPDSE09T) (F9)

Duration: 2 Hours

Full Marks: 40

Group – A

Answer any *five* questions:

5 × 2 = 10

1. Name three common types of derivative instruments.
2. What is a swap?
3. What are forward contracts?
4. What is an option?
5. What are the main features of future contract?
6. Explain the concept of margin in futures trading.
7. Explain the concept of mark-to market in futures contracts?
8. What is the difference between a call option and put option?

Group – B

Part I

Answer any one question:

5

9. Explain the concept of hedging and its role in risk management.
10. How do swaps function, and what are some of the most common types of swaps?

Part II

Answer any one question

5

11. What do you understand by beta of a security? Explain the method of its calculation.
12. An investor buys a combination of two puts and a call, all with exercise price of Rs. 60. Assume that the call costs Rs. 5 and the put Rs. 6, plot the profit /loss versus the stock at the date of expiration. Also name the strategy involved.

Group - C

Part I

Answer any one question:

10

13. Explain the concept of hedging with derivatives.
14. How can futures contracts be used to manage price risk in commodities?

Part II

Answer any one question

10

15. Discuss the various factors affecting the prices of options.
16. Describe the profit from the following portfolio: a long forward contract on an asset and a long European put option on the asset with the same maturity as the forward contract and a strike price that is equal to the forward price of the asset at the time the portfolio is set up.