END TERM EXAMINATION

SIXTH SEMESTER [B.COM(H)] JUNE 2024

Paper Code: B.COM-306   **Subject: Introduction to Derivatives**

Time: 3 Hours   **Maximum Marks: 75**

Note: Attempt all questions as directed. Internal choice is indicated.

Q1   Attempt **any Five** of the following questions: **(5x5=25)**
(a)   Taxation of derivative transactions
(b)   Cost of carry model
(c)   Clearing Entities
(d)   Put Call parity
(e)   Floating rate agreements
(f)   Eurodollar futures

Q2   *Swaps are also called as a series of forward rate agreements. Explain with examples.*

OR

Q3   Explain the economic significance of derivatives. Do you think that derivatives help in managing risk exclusively?   **(12.5)**

Q4   Briefly explain the trading and settlement mechanism for stock and index options traded on NSE.

OR

Q5   Explain the uses of Box Spread and Collars to market participants.   **(12.5)**

Q6   State the theoretical models for pricing the futures contacts. Which of these are widely used? Also, indicate their assumptions behind these models.

OR

Q7   Distinguish between forward and future contracts. How they are used in respective situations?   **(12.5)**

Q8   What is MTM settlement? What is its use? Explain with examples.**(12.5)**

OR

Q9   Following are the rate of borrowing of companies A and B: **(12.5)**

Currency	A	B
$	LIBOR+0.5%	LIBOR+0.75%
Euro	5.25%	6.75%

The company B wants to borrow dollars at a floating rate of interest and the company A wants to borrow Euro at a fixed rate of interest. A financial institution is planning to arrange a swap deal between the two companies and requires a minimum of 50 basis points spread. If the swap is to appear equally attractive to A and B, what rate of interest will A and B end up paying? Ignore exchange risk.   **(12.5)**

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