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Register Number:

DATE:

**ST. JOSEPH’S COLLEGE (AUTONOMOUS), BANGALORE-27**

**M.Com – IV SEMESTER**

**SEMESTER EXAMINATION: APRIL 2022**

**(Examination conducted in July-August 2022)**

MCO DEF 0418 / MCO DEF 0420 - Financial and Commodity Markets

Time- 2 ½ hrs Max Marks-70

**This paper contains two printed pages and four parts**

**Section A**

**I.** Answer ***any Ten*** of the following (**2 x 10 = 20 marks)**

1. What are financial derivatives?
2. List any four base metal commodities traded on MCX.
3. Expand NSCCL & NCDEX
4. What is VAR?
5. What is an exotic option?
6. State any two most important Greeks used in the world of options.
7. What is long and short position in trading?
8. What is OTC market?
9. Who is an Arbitrageur?
10. What is hedging?
11. What is SPAN margin?
12. What is the settlement cycle for delivery trade in stock market?

**Section B**

**II.** Answer ***any three*** of the following (**5 x 3 = 15 marks)**

1. Discuss the different types of orders and settlement in Trading.
2. A trader buys three-month put options on 1 unit of gold with a strike of Rs.17000/10 gms at a premium of Rs.70. Unit of trading is 1kg. On the day of expiration, the spot price of gold is Rs.16800/10 gms. What is his net payoff?
3. What is Risk? Discuss the types of risks in financial & commodities trading.
4. Differentiate between Commodity and Financial Derivatives.
5. What are the assumptions of Black Scholes Model of valuing options contracts?

**Section C**

**III.** Answer ***any two*** of the following (**10 x 2 = 20 marks)**

1. Explain the difference between forwards & futures contract.
2. Discuss the various factors affecting options.
3. Write a short note on:
   1. Interest Rate swaps ( 5 marks)
   2. Contango and backwardation market (5 marks)

**Section D**

**III. Answer the following (15 marks)**

1. The origin of derivatives can be traced back to the need of farmers to protect themselves against fluctuations in the price of their crop. From the time of sowing to the time of crop harvest, farmers would face price uncertainty. Through the use of simple derivative products, it was possible for the farmer to partially or fully transfer price risks by locking-in asset prices. These were simple contracts developed to meet the needs of farmers and were basically a means of reducing risk. In reference to the above passage explain the economic benefits of derivatives.

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