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

**BBA/BBASF–VI SEMESTER**

**SEMESTER EXAMINATION: APRIL 2023**

**(Examination conducted in May 2023)**

**BADEF6619: FINANCIAL AND COMMODITY MARKETS**

**(For current batch students only)**

**Time: 2 ½ Hours Max Marks: 70**

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

**PART-A**

**I.** Answer ***any five*** of the following (**5x2 = 10 Marks)**

1. Write any two functions of SEBI.
2. Mention any differences between primary and secondary market.
3. Mention any four commodities traded on MCX.
4. What is basis risk?
5. Write the meaning of derivatives.
6. How SPAN margin is computed?

**PART-B**

**II.** Answer ***any three*** of the following (**3x5 = 15 Marks)**

1. Discuss the differences between stock and commodity market.
2. Write a short note on contango and backwardation.
3. Explain any five advantages of derivative market.
4. Explain the roles of clearing house.

**PART-C**

**III.** Answer ***any two*** of the following (**2x15 = 30 Marks)**

1. A. Discuss the different types of risk in commodity trading. (5 marks)

B. Write the tools and techniques to mitigate foreign exchange risk. (10 marks)

1. Briefly explain the future, forward and options with features.
2. A. Explain the clearing and settlement process in commodity market. (8 marks)

B. What is commodity price risk? Discuss the different factors which affect commodity prices. (7 marks)

**PART-D**

**IV. Answer the following (1x15=15 Marks)**

1. A. Explain briefly interest rate swap and currency rate swap. (8 marks)

B. JJ Ltd is an Indian company having its Subsidiary in US and is looking to raise $50,000 for funding its subsidiary. It can borrow at the following rates:

$ 8%

Rs 12%

AB Ltd is a US based company having its Subsidiary in India and is looking to raise Rs 25,00,000 for funding its subsidiary. It can borrow at the following rates fixed rates.

$ 6%

Rs 15%

The current spot rate is $1=Rs 50. Show how a currency swap would work in the circumstances described, assuming the swap is only for one year and that interest is paid at the end of the year concerned. (7 marks)