



ERNAKULAM BRANCH OF **SICASA**

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

DHWANI

April Newsletter



QUOTE OF THE MONTH

"The future belongs to those who believe in the beauty of their dreams. It's a timeless reminder of the power of belief and determination in shaping our destinies."

-Eleanor Roosevelt

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Member SICASA



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Chairman's Message



Dear All,

Hope this message finds you in best of health and good spirits. This month has been a mix of fun events and serious study sessions. With May exams quickly approaching, the pressure to excel can feel overwhelming and daunting, leading to stress and anxiety. However, with proper preparation, support, and a positive mind-set, students can navigate through this challenging time and emerge stronger and more confident.

The opportunity to participation in the upcoming Model United Nations organized by WICASA Surat, alongside over 50 branches, promises to be a rewarding experience. We're confident our students will find this opportunity highly enriching. I am pleased to convey that SICASA Ernakulam has initiated a state-wide revision series called "Illuminare" in collaboration with all nine SICASA branches in Kerala. This initiative provided students with high-quality revision sessions to ensure thorough exam preparation in addition to our "Gurukul" program which provided daily and structured revision opportunity.

We organised a calligraphy competition together with Eid ul Fitr festivities, garnering substantial enthusiasm and revealing the artistic flair of our participants. Amidst the exam frenzy, we also orchestrated the Vishukenni 2024 contest, a virtual masquerade honoring Vishu.

Am happy to inform you all that we have been allotted "Mega Conference" for students this year. We plan to incorporate your suggestions in identifying the topics for discussion and redefining the way in which we do the event, subject to the guidelines of the Board of Studies. Request you all to share your ideas through the google form floated and also contacting us directly.

As we journey ahead, let's uphold each other, fostering a community that thrives on encouragement, learning, and solidarity. SICASA Ernakulam remains steadfast in its commitment to offer unparalleled avenues for academic, professional, and personal advancement, ensuring our collective growth and success. Let us continue to strive for excellence in all our endeavours, pushing boundaries, and reaching new heights for empowering you to achieve our fullest potential.

Warm regards,
CA Roopesh Rajagopal
Chairman SICASA
Ernakulam Branch

Secretary's Report

Betcy Varghese

SRO0748410



Hi Everyone,

Indeed, April has bid us farewell. The past month had mainly revolved around academics as our main focus since May exam are almost here.

We Ernakulam SICASA had enhanced our revision programs to better aid students in preparing for their exams. We solicited feedbacks , welcomed input and sought suggestions from them regarding the subjects as well as the faculty members and Offered the students our top-notch assistance and exceptional help. Furthermore, we joined forces with nine other SICASAs to conduct the finest revision classes.

The Ernakulam Branch also forged a collaboration with WICASA Surat for the Model United Nations event, enriching the experience for all involved. We see great potential for this partnership to positively impact students and extend its reach to a wider audience.

In the vibrant tapestry of our cultural endeavors, we have conducted Calligraphy Competition and the masquerade competition in connection with the festivals of Eid and Vishu. We received a good number of participations for them.

SICASA Ultimate Team based competitions were relaunched by us during this month in order to build team spirit among students.

This month was calm and successful. Next month, we're cooking up some more amazing plans. Here's to all the students taking exams - may your hard work pay off! Hope you do well.

Thank You!

Betcy Varghese

Secretary

Vice Chairman's Report

Bamsil Saman

SRO0646873



Greetings everyone,

This month has been a whirlwind of festivities and study sessions as we have juggled both celebratory moments and exam preparations. Despite our strong emphasis on exam preparations, we have also ensured that students have opportunities to participate in various competitions and events.

SICASA Ernakulam has proudly spearheaded an ambitious initiative called "Illuminare," an all-Kerala revision series in collaboration with all 9 SICASA branches in Kerala. This event provided students with high-quality revision sessions, ensuring that they receive the best possible preparation for their exams. In addition, we also conducted daily revision sessions as part of our "Gurukul" program. This initiative was designed to provide students with consistent and structured revision opportunities, helping them reinforce their learning and prepare effectively for their exams. The response we received for these sessions was overwhelmingly positive, as we have introduced celebrity faculties like CA CS Anshul Agrawal, CA Nishant Kumar, CA Tabish Hassan, CA Anushree Agarwal, CA Revathy Raja, CA Lijil Lakshman, CA Pavan Kumar, etc.

We were delighted to collaborate and participate in the Model United Nations organised by Wicasa Surat in collaboration with over 50 branches. Students from our branch also took part in this enriching experience. The opening of registrations for Aikyam 2.0 was another important slice of this month. We've received a significant response, with numerous team registrations. Competitions like Aikyam play a crucial role in creating unity among students, strengthening their bonds, and creating a sense of togetherness within the group.

We introduced a calligraphy competition in conjunction with Eid ul Fitr, which was a new addition to our event lineup. This competition garnered significant interest, with numerous entries showcasing the artistic talents of our participants. Despite the exam season being in full swing, we have also organised the Vishukenni 2024 contest, which is a virtual masquerade competition in celebration of Vishu.

Webinars on how to face your exams and how to tackle papers in exams were also conducted. These sessions aimed to provide students with practical insights and tips to enhance their exam-taking skills. Best wishes to all those taking exams in this attempt! For everyone else, get ready to enjoy the upcoming events to the fullest!

Bamsil Saman C M
Vice Chairman

Editors' Note



April signifies the onset of a new fiscal year distinguished by the anticipation of fresh audits, diligent bookkeeping, and client engagements. It's time to studiously engage in both revision and strategic preparation as we strive to excel in the upcoming May exams.

Throughout the month, SICASA organized events such as the Eid Mubarak calligraphy competition and the Masquerade competition, adding vibrancy to our professional journey. In this edition of our newsletter, you'll find eloquent articles, artworks, and a refreshing fun corner for your enjoyment.

In addition to the ongoing "GURUKUL" revision series, SICASA Ernakulam successfully conducted the "ILLUMINARE" study circle in collaboration with other branches, showcasing our collective dedication to academic excellence. We believe that the revision series led by eminent faculties will greatly benefit your exam preparations.

Excitement fills the air as we gear up for the CA Students' Mega Conference 2024—an invaluable platform for networking, knowledge exchange, and professional growth through insightful discussions and motivational sessions.

Here's to a happy and innovative Financial Year ahead, and wishing everyone the very best as you tackle your exams with confidence and determination! Together, let's conquer it.

Happy reading.



ABHIRAMI



AKSHAY ARAVIND



ANU KRISHNA



ATHIRA SASI



ASWANI S



CYRIL P



SOURAV SAI

Upcoming Events in May 2024

7

Poem Writing for Birthday
for Rabindranath Tagore

12

Mothers Day
Competition

21

English Webinar

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Free Hit 2024

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Free Hit 2024

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Slogans Competition
for Anti- Tobacco Day

Derivatives: Amplifying Investment Opportunities

APEKSHA KAMATH

SRO0689541

INTRODUCTION

Derivatives are financial contracts whose value is dependent on an underlying asset and the very common assets could be Stocks, Bonds, Currencies, Commodities, and Market Indices. The value of derivatives is directly or indirectly influenced by the price of the underlying asset. Derivatives are usually traded by predicting the underlying asset's future price movement. The value of the underlying asset is bound to fluctuate in accordance with the highly volatile market conditions prevalent and the core to be grasped when it comes to derivative trading is to appropriately determine the profits or likelihood with speculation.

WHAT IS AN UNDERLYING ASSET?

An underlying asset is defined as the asset on which the financial instruments such as derivatives are based. These assets give derivatives their value. The underlying assets can be stocks, market indices, currencies, commodities, etc.

For example, an option on stock 'X' gives the holder the right to buy or sell 'X' at the strike price up until expiration. The underlying asset for the option is the stock of 'X'.

An underlying asset is an item within the agreement that provides value to the contract. The underlying asset supports the derivatives contract to which the parties involved agree

TYPES OF UNDERLYING ASSETS:

There are different types, or classes, of underlying assets, and they come with unique characteristics that, in turn, affect the nature and structure of the derivatives associated with each type of underlying asset.

There are different types, or classes, of underlying assets, and they come with unique characteristics that, in turn, affect the nature and structure of the derivatives associated with each type of underlying asset.

For example, different underlying asset classes are subject to different types of financial risk. Stocks and commodities are subject to market risk and general economic risk. Bonds and other debt instruments are subject to default risk, interest rate risk, and counterparty risk. Currencies are subject to interest rate risk and political risk.

1. Stocks

In the capital market, one of the most widely used underlying assets is stocks. Since stocks are so widely traded in the financial markets, it gives derivative investors more options to speculate and hedge. Exchanges have laid down criteria for stocks to be used as underlying assets in F&O trading.

2. Bonds

Bonds of different types and other debt securities that attract an interest rate are also used as underlying assets in derivatives such as Interest rate futures.

3. Commodities

Commodity is defined as a tangible good that can be bought and sold or exchanged for products of similar value. Much like equity derivatives, commodity derivatives are traded having commodities as underlying assets in exchanges like MCX, NCDEX, etc.

4. Currencies

Currency is a medium of exchange for goods and services. It is a generally accepted form of payment, usually issued by a government and circulated within its jurisdiction. Currency is used as an underlying asset in currency derivatives like currency options, currency futures, currency swaps, etc.

In India, the three stock exchanges BSE, NSE, and Metropolitan Stock Exchange of India have segments for currency derivatives.

5. Interest Rates

An Interest Rate Derivative is a financial instrument with a value that is linked to the movements of an interest rate or rates. These may include futures, options, or swaps contracts. Interest rate derivatives are often used as hedges by institutional investors, banks, companies, and individuals to protect themselves against changes in market interest rates, but they can also be used to increase or refine the holder's risk profile or to speculate on rate moves.

1. Market Indices

A stock market index is the statistical measure of the performance of the market, reflecting the ups and downs in it. It indicates the overall sentiment of the market. A derivative contract can have market indices as an underlying asset. Index futures and index options are the derivative instruments that have market indices as the underlying asset.

Underlying Assets are basic building blocks for derivatives contracts. It could be highly speculative in nature and trading against those assets require a comprehensive knowledge of trading, leverage, hedging, and speculation. Derivative trading requires a skill-set and strategies that are different from normal equity trading.

Derivatives derive their value from the underlying assets through a specified contract or agreement. The price or performance of a derivative is influenced by the changes in the value of the underlying asset. For instance, with an options contract, you have the choice to buy or sell the asset at a set price within a specific time.

Similarly, if you purchase a futures contract on a commodity like oil, the underlying asset is the physical oil itself. The price of a futures contract is affected by oil market changes. When oil prices go up, the contract's value also increases, and vice versa.

TYPES OF DERIVATIVE CONTRACTS:

Derivative contracts are of different varieties which cater to different needs and returns that the investor aims from the said investment and also varies accordingly with the risk appetite an investor capacities. The most popular contracts under derivatives are listed under:

1.FUTURES:

These types of contracts involve counterparties- The Buyer and the Seller- who agree to exchange an underlying asset after an agreed time and expiry date.

These contracts are traded on Market Exchange and which guarantees that the terms are standardized.

The underlying assets could be commodities like raw materials, food grains etc or it could also range to items like precious items including gold silver etc, they can also mean financial instruments like bonds, exchange rates etc even.

The key participants in to initiate and carry on with these types of contracts would be Hedgers who are aiming at cashing in on profits and also to protect against the downside of potential adversities along the assets that possess and are pen to substantial exposure in the market and the Speculators who are eyeing to profit meticulously from high-risk and value fluctuations in the volatile conditions.

2.OPTIONS:

Options contract offer the buyer the right and not the obligation to buy or sell the underlying asset at a pre-determined price during a certain period of time or at a specific date. They differ from other stock like securities as they do not represent ownership in a concern/company.

There is always the flexibility to withdraw from the contract at any given time. Two components of options contract is the put option and call option.

A put option gives buyer the right to sell any underlying asset at a strike price and a call option gives a buyer the right to buy at a strike price at anytime up-to the expiration date.

One of the reasons why investing in the options is found lucrative by the investors could be that they have smaller premiums.

3.FORWARDS:

A forwards contract is the most easiest as well a most sought after contracts by investors within the derivatives communities and the reason for this could be there is no transaction cost involved, and no restrictions on short sales is located.

Here, Short sale refers to the act of selling an asset or commodity in the forward market with the intention of buying it back at a later date.

Further, all the borrowing and lending are agreed to be carried out at risk-free rates.

The biggest difference spotted between forward and futures contract would be that unlike in future contract where a buyer or seller initiates reverse transaction to their original transaction to close a position, for a forward contract to be liquidated, it can result in two ways which could be either cash or physical delivery.

4.SWAPS:

A swap is a derivative contract through which two parties exchange the cash flows or liabilities from two different financial instruments.

The financial experts firmly affirm that the origination of the swap markets can be traced back to 1970s when many countries imposed exchange regulation and restrictions in order to control cross border capital flows.

Further, as exchange controls were liberalized in the eighties, currency swaps with the same functional structure as the early precursors of the swap culture, the back to back and parallel loans replaced them both.

There are various types of swaps, namely Interest Rate Swap, Currency Swap, Commodity Swap Equity Swap, Zero Coupon Swap, Credit Default Swap, Total Return Swap and many more.

Swaps give corporations to shift the performance of their assets rapidly and cheaply without actually exchanging ownership of those assets and thus become extremely popular as a method of managing risk and generating revenues

WHAT IS DERIVATIVES TRADING?

In the risky and unpredictable investment industry, options trading can be a game changer. They allow investors a little breathing room when buying stocks or bonds. You pay a lower price for the choice to buy assets at a specified date after analyzing the stock market performance. Options, also called derivatives, are used to create a tradable contract between two or more parties.

It's a different transaction from buying stocks. The latter requires you to pay for outright ownership of the asset. Derivatives allow you the option to buy at a later date. Investment professionals who understand the intricacies of the markets are able to master the art of options trading. They know how to hedge their bets. They can keep one ear on the ground and one eye on the stock performance to arrive at a suitable prediction. To determine whether the price will rise or fall before the due date.

ROLE OF FINANCIAL DERIVATIVES IN THE MARKET:

Financial derivatives play a crucial role in the financial markets by serving several important functions:

- **Hedging:** Derivatives are primarily used for hedging, which involves protecting against losses due to adverse price movements. For example, a farmer might use futures contracts to lock in a selling price for their crops, protecting them against a decline in crop prices.
- **Speculation:** Derivatives also facilitate speculation, which involves taking a position on the future direction of an asset's price. Speculators aim to profit from price movements by buying or selling derivatives contracts.
- **Risk Management:** Derivatives can be used to manage various risks, such as interest rate risk, exchange rate risk, and credit risk. They allow businesses and investors to transfer or offset these risks to other parties.
- **Price Discovery:** Derivatives contribute to price discovery by providing information about market expectations for the future price of an underlying asset. This information can be used by investors to make informed trading decisions.
- **Market Efficiency:** Derivatives enhance market efficiency by allowing for more efficient allocation of capital and risk across different market participants.

DERIVATIVES TRADING HAS MANY ADVANTAGES:

Dabbling in derivatives has its fair share of benefits. Traders are known to use options contracts to optimize the earning potential. Here are some of the ways trading in derivatives can help investors.

- Helps to manage risks better
- It lowers your investment cost
- Derivatives have a lot of liquidity
- Can be used to increase leverage
- Provides for efficient portfolio management

CONCLUSION:

Derivatives can be a very convenient way to achieve financial goals. For example, a company could hedge its currency risk by purchasing currency forward contracts. Derivatives can also help investors leverage their positions, such as by buying equities through stock options rather than shares. The main drawbacks of derivatives include counterparty risk, the inherent risks of leverage, and the fact that complicated webs of derivative contracts can lead to systemic risks.

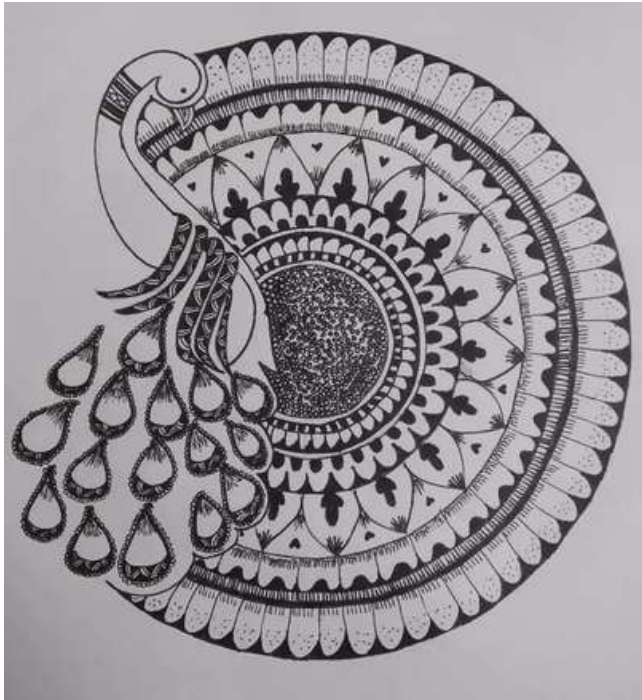
Derivatives play a crucial role in financial markets, allowing investors to manage risk, speculate on price movements, and hedge against adverse changes.

In summary, derivatives serve as indispensable tools in modern finance, offering investors opportunities to manage risk, speculate on price movements, and enhance portfolio performance. However, their complexity demands caution, as demonstrated by historical market upheavals. Continued education, prudent regulation, and responsible usage are imperative to harness the benefits of derivatives while mitigating systemic risks, ensuring a resilient and efficient financial ecosystem for all stakeholders.

To conclude, Derivatives are truly redefining the future of Finance



Art works



DEEPHY R
SRO0712699

ANU KRISHNA M A
SRO0691494



FUN CORNER

SUDOKU

Question

		3		9				
6	2				5			
		9		1		3		7
5	7		4			9		
		6			3		5	4
4		1		6		2		
			2				3	9
				3		8		

Answer

1	4	3	8	9	7	5	2	6
6	2	7	3	4	5	1	9	8
8	5	9	6	1	2	3	4	7
5	7	2	4	8	6	9	1	3
3	1	4	5	7	9	6	8	2
9	8	6	1	2	3	7	5	4
4	3	1	9	6	8	2	7	5
7	6	8	2	5	1	4	3	9
2	9	5	7	3	4	8	6	1

Fun Quiz

Time

1. You can swallow me, but I can consume you too. What am I?

Answer: Pride

2. I will bring you down, but I will never lift you up. What am I?

Answer: Gravity

3. What ship has no captain but two mates?

Answer: Courtship

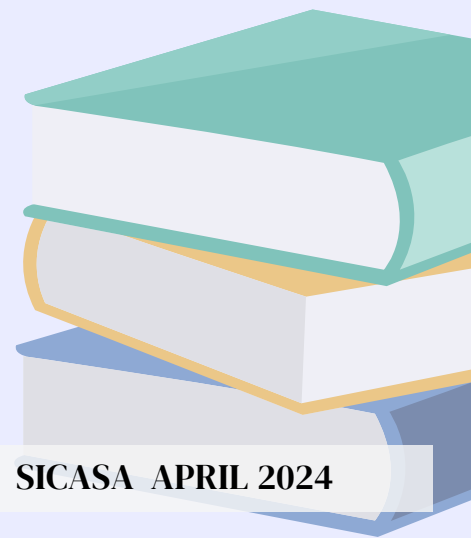
4. I might be far from the point, but I'm not a mistake. In fact, I fix yours. What am I?

Answer: An eraser

5. What kind of cup doesn't hold water?

Answer: Cupcake

Scrapbook of April 2024



GOOGLE CLASSROOM

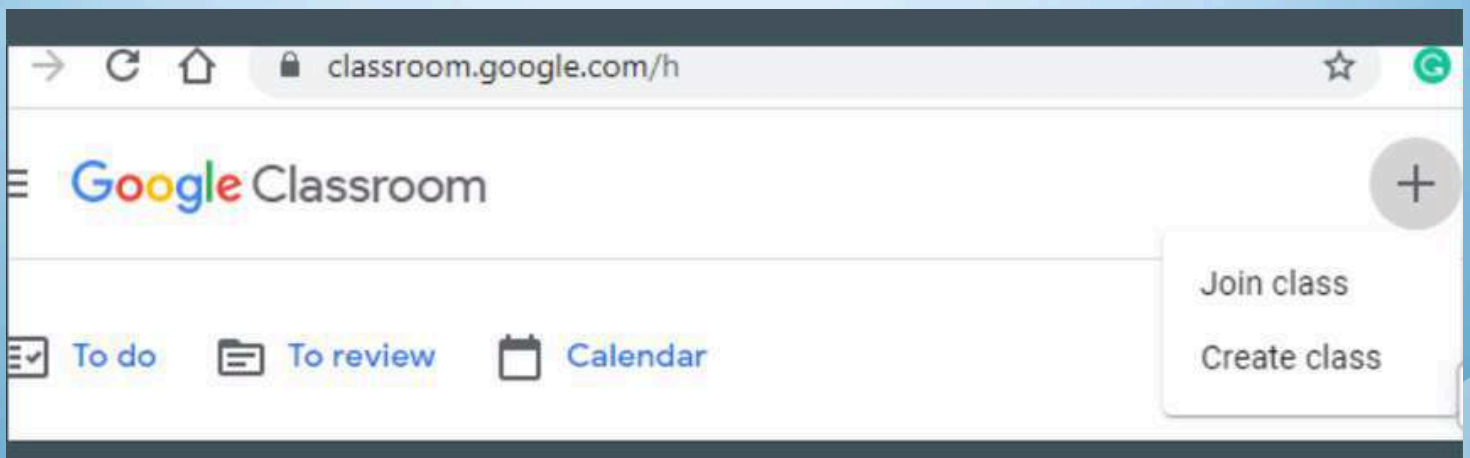
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