(2½ Hours)   [Total Marks: 75]

Instructions:
All questions are compulsory.
Figures to right indicate full marks.
Use of Scientific Calculator is not allowed.

Q 1) A) Match the columns. (Any 8 out of 10)   (8)

Column A	Column B
1. Swap Contract	a) When strike price and spot price are same leading to Intrinsic Value as Zero
2. ETC	b) Rho
3. Future and Option Contracts	c) Exercise only on expiry date
4. European Option	d) Take advantages of price difference in two different markets
5. ATM occurs	e) Received
6. Premium to option seller	f) Market place where contracts are traded in electronic platform
7. Option Greek	g) Agreement to exchange cash flow
8. Arbitrageurs	h) Setting position limits based on margin
9. Risk Management	i) Avoids risk of loss
10. Hedgers	j) Standard in nature

Q 1) B) State whether true or false. (Any Seven)   (7)

1. A Financial Derivative is a financial instrument whose value depends upon the value of underlying asset.
2. Option buyer has a right but he is not obliged to buy the contract.
3. Backwardation can be also referred to as negative basis.
4. Long is the position to sell a contract.
5. Future contracts are not traded electronically now.
6. Hedging helps to minimizing risk.
7. Short Straddle is a neutral strategy where 1 call option and 1 put option of same expiry date and same exercise price are sold.
8. Binomial option pricing model is not a discrete time model.
9. Kappa is a type of option Greek.
10. Full form of SPAN is **"Standard Portfolio Analysis of Risk"**

Q 2) a) Explain the underlying assets in Financial Derivatives.   (8)
Q 2) b) Write a note on origin of derivatives markets.   (7)

OR

Q 2) c) Explain the characteristics of derivatives.   (8)
Q 2) d) Explain types of derivatives.   (7)

TURN OVER

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Q 3) a) Explain the following Terminologies (8)
1. Settlement Date
2. Intrinsic Value
3. Strike price
4. Expiry Date

Q 3) b) An investor bought future contract of M/s Roy Ltd. with a lot size of 500 shares at Rs. 1, 800 and at expiry it closed at Rs. 1, 750. Calculate Profit and Loss. (7)

OR

Q 3) c) Rani sold July IOCL future at Rs. 1, 700. At expiry it closes at Rs. 1,650. Lot size is 100. Find the profit or Loss. Also draw the payoff for the same. (8)

Q 3) d) Draw the payoff of Long Put. (7)

Q 4) a) Explain Option Greeks -- Delta and Gamma. (8)

Q 4) b) Explain the Cost of Carry Arbitrage model in Future Contract. (7)

OR

Q 4) c) The share is currently available for Rs. 100. Expected underlying asset price will be either up by 25% or down by 20% in each of the future period. The exercise price of a call option is Rs. 110. The risk free interest rate is 5%. Draw a Binomial tree (2 multiple period). (8)

Q 4) d) Anil writes call option of TATA Ltd. with strike price of Rs. 3, 350. He receives premium of Rs. 50 per call. A month later the stock trades in the market at Rs. 3, 320. Calculate the profit and loss for option of lot size 400. (7)

Q 5) a) Explain the risk management system in derivatives market? (8)

Q 5) b) Write a short note on Margin and its types. (7)

OR

Q 5) Write short notes (any three) (15)
a. Recommendations of L C Gupta Committee
b. Forward Contract V/s. Futures Contract
c. Strangle
d. Types of order
e. Stock options