Duration: 2 ½ Hours   **Marks: 75**

NOTE :- 1. All Questions are compulsory (15 marks each).
        2. Figures to the right indicate full marks.
        3. Use Simple calculator.

Q.1. [A] Multiple Choice Questions: **[Attempt any 8]**   (8)

1. A derivative is a financial instrument whose value depends on the value of _____. (underlying loss/underlying asset/ underlying profit)
2. Derivatives are also known as_____ instruments (Deferred payment/ initial payment/speculative payment)
3. _____ has the responsibility of clearing and settlement of all deals executed by Trading members.(NSCCL/NSE/BSE)
4. The process of simultaneously buying securities or derivatives in one market at a lower price and selling in another market at higher prices is known as _____.(hedging/speculation/ arbitrage)
5. _____ is the minimum change that is permitted in future prices. (tick size/trade size/lot size)
6. Hedging activity is based on _____(price risk/legal risk /operational risk)
7. Basis is the difference between the spot price of the underlying and the _____ of that underlying.(historical price/current price/future price)
8. Forward contracts are traded only in _____ market and not in stock exchanges.(OTC/ NSE/BSE)
9. The _____ mechanism eliminates counterparty risk.(Clearing House/ Banking House/ Corporate House)
10. The intrinsic Value of an option indicates the amount by which an option is _____. (ITM/ATM/OTM)

Q.1. [B] Match the Following: **[Attempt any 7]**   (7)

Group A	Answers
1. Derivative markets	A. Change in spot price
2. MTM	B. Risk Averse
3. Strips & Straps	C. Order in which price is specified
4. Limit order	D. Customized contracts
5. Delta	E. Exercised only on expiry date
6. Call option is exercised	F. Price Discovery
7. European option	G. Option strategies
8. Hedgers	H. Future settlement
9. Option premium-based	E. Price moves up
10. Forwards	F. Intrinsic value

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Q.2 (a) What are derivatives? Briefly explain the features of derivatives. (8)
    (b) What are Financial Derivatives? Explain different types of derivatives. (7)
<div align="center">**OR**</div>
Q.2 (c) Explain the recommendations of the Varma committee on derivatives. (8)
    (d) Briefly explain the origin & development of the derivative market. (7)

Q.3 (a) Define futures. Explain the various types of future trading strategies. (8)
    (b) An investor took two positions in the future market which are as follows:- (7)
     (i) Sold a futures contract on L &T with a lot size of 400 shares at Rs. 158 spot
     & at expiry it closed at Rs.162.
     (ii) Bought a future contract on ITC Ltd. with a lot size of 1000 shares at Rs.178
     spot & at expiry, it closed at Rs.173.
    Find the net profit or loss for the investor from both positions.
<div align="center">**OR**</div>
Q.3 (c) Explain the following terminologies:- (8)
    (i) Future price (ii) Expiry date (iii) hedging (iv) Tick size
    (d) Distinguish Between Forward and Future Contract. (7)

Q.4 (a) Explain the concept of the moneyness of options with numerical examples. (7)
    (b) Mrs. Deepa buys 100 put option on Hindalco Ltd. with strike price of Rs.1100.
    She pays premium of Rs.50 per call. A month later, the stock trades in the market
    at Rs.1,800. Calculate profit/loss. (8)
<div align="center">**OR**</div>
Q.4 (c) Explain the options Greeks "Delta & Gamma". (8)
    (d)The share of ABC Ltd. is currently available for Rs.300. Expected underlying asset
    price one year from now will be either up by 30% or down by 25%. The risk-free interest
    rate is 7%. The exercise price of call option is Rs.310 Calculate the call option price o
    today using single period binomial model. (7)

Q.5 (a) Explain the margin requirements specified by derivatives exchange. (8)
    (b) Briefly explain the ordering types & conditions. (7)
<div align="center">**OR**</div>
Q.5 Write short notes on the following : **(any three)** (15)
(1) Arbitrageurs
(2) Cost of Carry
(3) Types of options
(4) Importance of Clearing House
(5) Straddles

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