Duration : 2 ½ Hrs **Marks : 75**

Note: 1) All Questions are compulsory subject to internal choice

2) Figures to right indicate full marks

Q.1 (A) State weather the following statement are True or False.(Any 8) **(08)**

1. It is very difficult to take long or short position in the derivatives s compared to other assets.

2. Forwards are over the counter instrument.

3. Expiration day is the last trading day of the contract.

4. The spot price is the future market price of the underlying asset.

5. Contract price = $\frac{(\text{Price of each security} \times \text{contract})}{\text{Lot size}}$

6. Payoff on a position is likely profit/ loss that would accrue to a market participant with change in the price of the underlying asset at expiry.

7. Speculators take large, calculated risks as they trade based on anticipated future price movements.

8. In options, execution of contract can be done any time before the expiry of the agreed date.

9. An option premium is the income received by an investor who holds the option contract.

10. The strike price is specified in the option contract and does change over time.

B) Match the following (Any 7) **(07)**

	Column A		**Column B**
1	No margin requirement	a	Unlimited profit
2	Contract size	b	Highly risky
3	Settlement of forward contract	c	Lot size
4	Speculation	d	Higher option premium
5	Arbitrage	e	Cash or delivery
6	Option writer	f	Forwards
7	Option holder	g	Directly proportional to spot price
8	Deep in the money	h	Short position
9	Futures contract	i	Operating leverage
10	Financial risk	j	Symmetrical payoffs

Q.2 (A) Discuss the Participants in derivative market? **(08)**

Q.2 (B) Distinguish between Forward & Future **(07)**

OR

Q.2(C) Write note on different types of derivative traded in India. **(08)**

Q.2(D) Define Commodity Market. Explain its history & growth in India **(07)**

Q.3(A) Explain the following Terminologies: **(08)**

1. Initial Margin
2. Contract Size
3. Settlement Price
4. Option Premium

Q.3(B) What is imperfect hedge ? what are the reasons for imperfect hedge? **(07)**

OR

Q.3 (C) The spot price of gold is Rs 31,000/- the locker rent is Rs500 and the insurance charges are Rs 750. The interest rate on the borrowed funds is 14% p.a. compounded on monthly basis. What will be the fair value of futures after 3 months? **(08)**

Q.3(D) Naman shorts a call option of VST Ltd at an exercise price of Rs 1020 with a premium of Rs 50. Calculate the profit or loss for Naman if the spot price on expiry is as follows: Rs. 970, Rs. 980, Rs. 990, Rs. 1000, Rs. 1010, Rs. 1020, Rs. 1030, Rs. 1040, Rs. 1050. Also draw the payoff diagram for the same. **(07)**

Q.4 (A) Explain what is meant by intrinsic value or moneyness of an option contract **(07)**

Q.4 (B) Distinguish between Binomial Option Pricing Model & Black Scholes Option Pricing Model **(08)**

OR

Q.4 (C) The spot price of copper is Rs 4,600 per kg, the store room rent is Rs6,000 paid semi-annually. The interest rate on the borrowed funds is 12% p.a. compounded on monthly basis. What will be the fair value of futures after 3 months? **(07)**

Q.4 (D) An investor takes position in the futures market through the following transactions

a. Buys 6 contracts of Tata Steel Ltd at Rs 3125 with a lot size of 200 , which expires at a final settlement price of Rs 3150

b. Sells 7 contracts of Canara Bank at Rs 675 with a lot size of 100 which expires at 665

Determine the net profit or loss for the investor from both the positions draw payoff diagram for respective positions

Q.5 (A) What are the types of Order?

(B) What are objectives of NSCCL

Q.5 Write short notes on any three of the following **(15)**

1. Backwardation
2. Reverse Cash & Carry Arbitrage
3. Types of Underlying Assets.
4. MCX
5. Cost of Carry Model
