

DURATION: - 2 ½ HOURS**TOTAL MARK: -75****NOTE: -1. All Questions are compulsory.****2. Figures to the right indicate full marks.****Q.1. [A] State whether True or False :- (8/10)****[8 MARKS]**

1. A derivative derives its value from the underlying asset.
2. Futures contracts are traded on organized exchanges.
3. Hedgers enter into derivative contracts to maximize profit.
4. Forward contracts are standardized instruments.
5. Options give the holder a right but not an obligation to buy or sell.
6. Margin money ensures the performance of futures contracts.
7. Currency derivatives are traded only in the unorganized market.
8. The base value of the index is always fixed.
9. In-the-money options have intrinsic value.
10. Payoff is the profit or loss resulting from a derivative position.

Q.1. [B] Match the column :- (7/10)**[7 MARKS]**

Column A	Column B
1) Futures Contract	a) Customized Agreement
2) Forward Contract	b) Exchange Traded
3) Hedgers	c) Expect Future Price Movement
4) Speculators	d) Riskless Profit
5) Arbitrageurs	e) Reduce Price Risk
6) Options	f) Right but not Obligation
7) Strike Price	g) Exercise Price
8) Time Value	h) Value due to Time Remaining
9) Clearing House	i) Daily Profit & Loss Adjustment
10) Marking to Market	j) Ensures Settlement

Q.2. [A] Explain the history & origin of derivatives market**[8 MARKS]****[B] What are the types of commodities?****[7 MARKS]****OR****Q.2. [C] What are the reasons for investing in derivatives ?****[8 MARKS]****[D] What are the participants under derivatives market in India.****[7 MARKS]****Q.3. [A] Explain the various terms under futures contract****[8 MARKS]****[B] Explain concept of contango and backwardation****[7 MARKS]****OR**

Q.3. [C] The spot price of gold is Rs 1,00,000 , locker rent is Rs 16,000 p.a. and insurance is Rs 9,500 for six months , interest rate on borrowed funds is 12% p.a. Calculate the fair value of 3 months futures contract, compounded monthly

[8 MARKS]

[D] An investor took two position in futures market . He sold the 1 futures of Infosys stock . The futures price for Rs 8,500. On the expiry the cash market price Rs8,000. He bought 2 futures of Jindal Steels at Rs 20,500 , on expiry the price was Rs 22,000 . Find the profit & loss for a lot size of 50 size in one contract. Also draw a payoff diagram for the same. [7 MARKS]

Q.4. [A] Explain black & scholes option pricing model [8 MARKS]

[B] Explain the terms under options [7 MARKS]

OR

Q.4. [C] The spot price of Silver is Rs 9,500 , locker rent is Rs 1200 p.a. and insurance is Rs 2,500 for six months , interest rate on borrowed funds is 10% p.a. Calculate the fair value of 3 months futures contract, compounded monthly. [8 MARKS]

[D] Riya shorts a call option of YST Ltd at an exercise price of Rs 1000 with a premium of Rs 30 . Calculate the profit & loss for Riya if the spot price on expiry was Rs 950,960,970,980,990,1000,1010,1020,1030,1040,1050. Also draw the payoff diagram [7 MARKS]

Q.5. [A] What are the different types of margins ? [8 MARKS]

[B] Explain the meaning of securities and SEBI guidelines for commodities market [7 MARKS]

OR

Q.5. [C] Write Short Notes on: [Attempt any 3] [15 MARKS]

a. SPAN

b. Put Options

c. VaR

d. Long hedge

e. Futures contract