

2016
DERIVATIVE MARKETS

Marks: 70

Time: 3 hours

General instructions:

- i) *Approximately 15 minutes is allotted to read the question paper and revise the answers.*
- ii) *The question paper consists of 24 questions. All questions are compulsory.*
- iii) *Marks are indicated against each question.*
- iv) *Internal choice has been provided in some questions.*

N.B: *Check that all pages of the question paper is complete as indicated on the top left side.*

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| 1. | What is meant by derivatives? | 1 |
| 2. | Write the commonly used swaps. | 1 |
| 3. | How can hedging be done by an investor? | 1 |
| 4. | What is meant by time value of an option? | 1 |
| 5. | Write two factors which affect option price. | 1 |
| 6. | What is the futures and options trading system of NSE called? | 1 |
| 7. | Write the full form of NSCCL. | 1 |
| 8. | When was SC(R)A introduced? | 1 |
| 9. | Explain two types of derivative contracts. | 2 |
| 10. | What does beta measure? | 2 |
| 11. | What are the two basic types of options? | 2 |
| 12. | State the purpose of market by price. | 2 |
| 13. | Write any two points how profits and losses are computed in marked to market settlement. | 2 |
| 14. | Write four reasons for popularity of index derivatives. | 4 |

15. Write any four distinctions between futures and forwards. **4**
16. Explain the two types of risks covered by hedging. **4**
17. Write any four comparisons between futures and options. **4**
18. Explain the four entities in the trading system. **4**
19. How is the overall portfolio margin requirement computed by SPAN? **4**
20. Explain any two guidelines for accounting treatment in case of options. **4**
21. **a.** What does the Greek letter measure? Explain the various types of Greek letters. **1+5= 6**
- Or**
- b.** How is BSO model used for option pricing? Highlight the limits of option pricing. **(2+4=6)**
22. **a.** Explain the activities of each member in trading derivative contracts. **6**
- Or**
- b.** Write the relationship of client broker in derivative segment. **6**
23. **a.** Write any six salient features of risk containment mechanism on the F&O segment. **6**
- Or**
- b.** Explain the different types of margins. What are the benefits of cross margins? **(3+3=6)**
24. **a.** Write the powers of Security Exchange Board of India. **6**
- Or**
- b.** How is the enforcement of the market wide limits done? **6**
