

2018
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. | Who are hedgers? | 1 |
| 2. | What is meant by time value of an option? | 1 |
| 3. | Who mentioned the BSO model? | 1 |
| 4. | What does the Greek letters measure? | 1 |
| 5. | Define theta (θ) of an option. | 1 |
| 6. | What is the purpose of MBP? | 1 |
| 7. | Write the full form of PCM. | 1 |
| 8. | Under whose chairmanship was SEBI set up? | 1 |
| 9. | What is meant by intrinsic value of an option? | 2 |
| 10. | Mention four variables that affect option pricing. | 2 |
| 11. | Explain the Greek letters delta (Δ) and gamma (Γ) used for hedging portfolio of options. | 2 |
| 12. | What are the trading facilities for F&O derivatives instruments. | 2 |
| 13. | What is meant by calendar spread margin? | 2 |
| 14. | Explain the different types of derivative contracts. | 4 |

15. State the uses of stock market indices. **4**
16. Write any four future terminologies. **4**
17. Give any four comparisons for futures and options. **4**
18. Explain the corporate hierarchy in the F&O trading software. **4**
19. What is the objective of SPAN? What are the factors that affect the value of an option? **4**
20. Explain any two accounting for futures. **4**
21. **a.** Explain any three numerical illustration of applications of stock futures. **6**
Or
b. How can hedging be done by an investor? Explain the types of risks. (2+4=6)
22. **a.** Explain the eligibility criteria of stocks. **6**
Or
b. What is meant by NEAT-F&O trading system? Explain the entities in the trading system. (2+4=6)
23. **a.** Write short notes on: **3 x 2 = 6**
i) Final exercise settlement
ii) Exercise process
iii) Net buy premium
Or
b. How is net option value calculated? How is the overall portfolio margin requirement computed by SPAN? (2+4=6)
24. **a.** Explain how enforcement of the market wide limits is done. **6**
Or
b. Explain the limits of FII/ MFs position.
