SYBIM sem IV Reg & A.T.K.T. Exam march - 2020
16/3/20

Subject: Financial Derivatives - SYBIM

Time: 2 hours and 30 minutes

Marks: 75

Note: 1. Attempt all questions

2. Figures to the right indicate full marks

Q1. A Fill in the blanks (Any 8) (8)

1. Futures cannot be ________________. (Standardized/Customized/Regularized)
2. A ________________ is an agreement wherein two parties agree to exchange two different streams of cash flows over a period of time on pre-determined terms. (Swaps/Forwards/Options)
3. Seller of the option ____________ the premium. (Pays/Receives/Shares)
4. Option _______________ is the writer of the contract. (Buyer/Seller/Underwriter)
5. _______________ is the process of prediction and taking a position in derivatives market to earn profits .(Arbitrage/Hedging/Speculating)
6. When Strike price > Market Price, it is known as ____________ the money option. (In/Out/At)
7. SENSEX is an indices of __________. (BSE/NSE/RBI)
8. Derivatives market are continuously getting exposed to risk due to fluctuations in the price of ______________ (Finished Goods/Underlying asset/Land)
9. ____________ is a type of underlying asset in Derivatives market. (Gold/Clothes/Cow)
10. Futures are better than Forwards as they have_____________ (customization/liquidity/lower cost)

Q1. B. State whether the following is True or False: (Any 7) (7)

1. The performance of the derivatives depends on the movement of Underlying Assets.
2. Options Buyer has an obligation towards the Option seller.
3. Sensex includes an aggregate of only IT and Pharmaceutical sector companies.
4. Cost of carry is the cost of holding the underlying asset over a period of time.
5. The option to sell an asset is called Put option.
6. Arbitrage is a process of simultaneous buying in cheap at one market and selling at a high price in another market.
7. Hedging is a tool for reducing risk.
8. Settlement period of the contract currently is T+0 basis.
9. In the money Option has a positive intrinsic value.
10. A seller of call option has a bearish outlook towards the market.

Q2. A. Differentiate between Exchange traded and Over the counter Derivatives. (8)

B. Explain the types of Derivatives. (7)

OR

D. What are the advantages and Disadvantages of trading in derivatives market? (8)

C. Explain features and specifications of stock index futures. (7)

Q3. A. An investor took the following positions in derivatives market. Calculate its Profit and Loss. (15)

1. Bought a Call option at a strike price of 130 @ 10. On the day of expiry Market price was Rs. 128
2. Sold a Call option at a strike price of 175 @ 15. On the day of expiry market price was Rs. 170.
3. Bought Futures at Rs. 785. On Expiry closing price was Rs. 791
4. Bought a put option at a strike price of 198 @ 22. On the day of expiry market price = Rs. 190.
5. Sold a put option at a strike price of 70 @7. On the day of expiry market price was Rs. 73.

OR

B. Differentiate between Options and Futures. (8)

C. Explain Long Put with the help of an example and a payoff diagram. (7)

Q4. A. What are forwards? What are the limitations of forward contracts? (8)

B. Write a brief about various indices in India. (7)

OR

C. Explain Short Call with the help of an example and a payoff diagram. (8)

D. Discuss about the various events that lead to adjustments to Index. (7)

Q5. A. What are the various uses of Options? (8)

B. What is an Index? What is the significance of an Index? (7)

OR

C. Answer any 3 from the following: (15)

1. American vs European Option
2. Hedging
3. Option Premium
4. Features of Options
5. ITM, ATM, OTM