

Time: 2 ½ hours

19/4/23

Marks: 75

Note: 1. All questions are compulsory subject to internal choice.
2. Figures to the right indicate full marks



Q 1 (A) Fill in the blanks choosing the correct alternatives (Any 8)

(8)

1. _____ is the actual process of exchanging money and goods
(a) Transfer (b) Settlement (c) Netting (d) Clearing
2. _____ Exchange does not offer derivative trading in Soybean.
(a) LME (b) NCDEX (c) CBOT (d) MCX
3. The cash settlement is only for the incremental gain/loss as determined on the basis of _____.
(a) Final Settlement price (b) Average price for the day (c) Opening price
(d) Last Traded price
4. A _____ order, is an order which is valid for the day on which it is entered.
(a) Good till offset (b) Good till day (c) Good till filled (d) Good till cancelled
5. Where a trade cancellation is permitted and trading member wishes to cancel a trade, it can be done only with the approval of the _____.
(a) Clearing Corporation (b) SEBI (c) RBI (d) Exchange
6. After the sales tax/VAT obligations are determined, the seller client has to raise the _____.
(a) Award (b) Schedule (c) Commodity (d) Invoice
7. This option to give delivery is given a period identified as _____.
(a) Delivery notice period (b) Settlement period (c) Delivery period (d) Option notice period
8. Due to the _____ nature of the underlying assets, physical settlement in commodity=y derivatives create the need for warehousing.
(a) Volatile (b) Valuable (c) Bulky (d) Varying
9. Physical settlement in a commodity futures market involves the physical delivery of _____.
(a) The futures contract (b) The profits (c) The underlying commodity (d) Nothing is delivered
10. The seller intending to make delivery takes the commodities to _____.
(a) The designated warehouse (b) The clearing house (c) The buyer (d) The exchange

Q 1 (B) True or False (Any 7)

(7)

1. Speculators work at making profits by taking advantage of discrepancy between prices of the same product across different markets.
2. A forward contract is an agreement between two entities to buy or sell the underlying asset at a future date, at today's pre-agreed price.
3. The minimum net worth requirement for PCM on the NCDEX is 5000 lacs.
4. Some of the futures contract traded on NCDEX expires on day other than 20th of the month.
5. Forward contracts are bilateral contracts and hence exposed to counter party risk.
6. A spread order is an order to buy or sell a stated amount of a commodity at a specified price, or at a better price, if obtainable at the time of execution.
7. Proprietary positions are netted at member level without any set-offs between client and proprietary positions.

8. If the last trading day as specified in the respective commodity contract is a holiday, the last trading day is taken to be the previous working day of the Exchange.
9. Traditionally South Africa has been the largest producers of gold in the world.
10. Final Settlement Price is the closing price of the underlying commodity on the last trading day of the futures contract.

Q 2 A. Define derivatives and mention the participants in the derivative market. (8)

Q 2 B. Explain the functions of derivative market. (7)

OR

Q 2 C. Difference between Commodity Derivatives and Financial Derivatives. (8)

Q 2 D. Difference between Futures and Options. (7)

Q 3 A. Difference between Investment Assets and Consumption Assets. (7)

Q 3 B. What do you understand by Cost of Carry Model of futures valuation? (8)

OR

Q 3 C. Mr. Maheshwari takes a short position on a call options of Rashi Ltd. at an exercise price of Rs. 80 with a premium of Rs. 3. Calculate the profit or loss on the option position for Mr. Maheshwari if the spot price on expiry is as follows:

Rs 76, Rs 77, Rs 78, Rs 79, Rs 80, Rs 81, Rs 82, Rs 83, Rs 84, Rs 85.

Also draw the pay-off diagram for the same. (8)

Q 3 D. Hiralal Co. Ltd's share currently quoted in the market at Rs. 650 per share. The company is having a lot size of 100. Interest rate is 15% p.a. Calculate the fair value of 4 months future of Hiralal Co. Ltd. (7)

Q 4 A. What is Hedging? What are the advantages of Hedging? (8)

Q 4 B. Explain the powers and functions of Forward Market Commission (7)

OR

Q 4 C. Briefly explain the need for regulatory framework in commodity derivatives market and what are the regulatory measures taken by FMC? (7)

Q 4 D. Explain the three-tier structure of Commodity Futures market in India. (8)

Q 5 A. Write a note on The Future Basis. (7)

Q 5 B. How margining system is used as risk management in derivative system? (8)

OR

Q 5 C. Short Notes (Any 3) (15)

1. Put Options
2. Circuit Filters
3. Speculation
4. Commodities which are traded in derivative market
5. Kabra Committee Report