FD; SYBIM

SYBIM sem IV Reg Exam April-2023

13/4/23

PAPER 2)

Duration: 2 ½ Hrs. **Marks: 75**

c) **All questions are compulsory and subjected to internal choice.**

d) **Each question carry 15 marks.**

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

(1) One of the key features of financial markets are extreme ________________.

A. Volatility B. Safety C. Stability

(2) The primary objectives of any investor are to bring an element of certainty to returns and minimize ____________.

A. Profit B. Risks C. Benefit

(3) In commodity derivatives, the underlying asset is a ____________.

A. Financial instruments B. Shares C. Commodity

(4) A ______________ is a customized contract between two entities, where settlement takes place on a specific date in the future at today's pre-agreed price.

A. Forward contract B. Futures contract C. Shares

(5) A ______________ is an agreement between two parties to buy or sell an asset at a certain time in the future at a certain price.

A. Forward contract B. Futures contract C. Shares

(6) ______________ give the buyer the right but not the obligation to buy a given quantity of the underlying asset, at a given price on or before a given future date.

A. Calls B. Puts C. Shares

(7) Derivatives are products whose value is derived from one or more basic variables called ______________________ or base

A. Shares B. Underlying asset C. Options

(8) Derivatives are contracts that originated from the need to ____________ risk.

A. Limit B. Maximum C. Benefit

(9) ____________ are of two types– calls and puts

A. Shares B. Options C. Debentures

(10) A ______________ is a customized contract between two entities, where settlement takes place on a specific date in the future at today's pre-agreed price.

A. Forward contract B. Futures contract C. Shares

Q 1) (B) State **whether the following statements are true or false. (Any 7)** **(7)**

(1) Consumption assets are typically held for Investment purpose.

(2) Future Price = Spot price- Cost of holding the assets.

(3) The difference between spot price and future price is called as revenue.

(4) Maintenance Margin is higher than Initial Margin.

(5) The commodities can be revalidated after expiry date if required.

(6) Regulations require to ensure transparency and fairness in trading.

(7) The exchange operates on all days except Sunday and on holiday declared by exchange.

(8) All new exchanges should have online trading and settlement system in their exchanges.

(9) American style options can be exercised at any time prior to expiration.

(10) Hedger wants to avoid risk in market, which is taken over by speculation.

Q 2 (A) What is underlying asset? What are the types of underlying assets? **(8)**

Q 2 (B) What is the difference between options and futures? **(7)**

OR

Q 2 (P) What is derivatives market? Write features of financial derivatives. **(8)**

(Q) Ms.Tejal buys a European Call Option on Stock ABC Ltd by paying **(7)**

Option Premium of Rs.3 having Exercise Price of Rs.50. Calculate Intrinsic Value and Profit or Loss of Mr.Tejal for spot prices at expiry of Rs.46 to Rs.55. Also present your calculation graphically.

Q 3) (A) What is Option? What do you mean by Moneyness of Option? Explain the types? **(8)**

(B) "Spot prices tends to converge on maturity" Elaborate the statement with suitable examples? **(7)**

OR

(P) Investment portfolio of AMFI consists of 1,000 shares of Tata Steel Ltd. **(8)**
Today 1st July 2017 the spot market price is Rs.500 per shares, Thus the portfolio value of AMFI as on 1st July 2017 is Rs.5,00,000. AMFI is of the view that the share price of Tata Steel Ltd will decrease by 15% by the September 2017. AMFI intends to maintain the portfolio value at minimum Rs.4,75,000. The September Futures on Tata Steel Ltd is available for Rs.480. The Brokerage and other transaction cost on futures contracts is 1%. Explain how AMFI can maintain the portfolio value of minimum Rs.4,75,000.

(Q) A stock of Infosys Ltd. is quoted for Rs.170 and put options on the stock are quoted as under:

Exercise Price	Call Premium
Rs.170	Rs.5
Rs.175	Rs.9

Show pay off from bull call spread strategy? **(7)**

Q 4) (A) What are the determinants of Option price? How would the option price change with the change in determinants? **(8)**

(B) Describe Black Scholes Model of Option pricing along with its assumptions? **(7)**

OR

(P) Explain the procedure of calculating quarter sigma order size? **(8)**

(Q) The prevailing value of S&P CNX Nifty is 9,520. Prevailing interest rate is 12% P.a. The dividend income on the index is expected to be Rs.130 after 1 month. What shall be the fair value of 3- month index futures? **(7)**

Q 5) (A) Ms.Tejal buys a European Call Option on Stock ABC Ltd by paying **(8)**
Option Premium of Rs.3 having Exercise Price of Rs.50. Calculate Intrinsic Value and Profit or Loss of Mr.Tejal for spot prices at expiry of Rs.46 to Rs.55. Also present your calculation graphically.

(B) Explain the distinguishing features of forward and Future contracts?

OR

Q 5) Write short notes on (Any 3) (15)

(1) Recommendations of L C Gupta committees.
(2) Arbitrageurs
(3) Long Butterfly Spread.
(4) Features of Futures Contracts
(5) Cash and Carry Arbitrage