

2017
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 a trigger price? | 1 |
| 2. | What is meant by delta hedging? | 1 |
| 3. | What is over the counter derivative contracts? | 1 |
| 4. | Define the term strike price. | 1 |
| 5. | Name the largest derivative exchange in India. | 1 |
| 6. | When did SEBI introduce derivative trading in India? | 1 |
| 7. | Write the full form of SPAN(r). | 1 |
| 8. | Which type of risk does diversification reduce? | 1 |
| 9. | Mention any two participants in a derivative market. | 2 |
| 10. | What is risk array? | 2 |
| 11. | State any four factors that affect option pricing. | 2 |
| 12. | Mention the two ways of hedging by an investor who has exposure to the stock index futures. | 2 |
| 13. | Name the four corporate hierarchies. | 2 |
| 14. | Explain any four guidelines for accounting treatment of equity index future contract. | 4 |

15. What is stock index? State the uses of stock market indices. 2+2= 4
16. When can an arbitrage opportunity arise? State the benefits of hedging. 1+3= 4
17. Explain the clearing entities taken by NSCCL for clearing and settlement. 4
18. State the limits of option pricing. 4
19. State any four generation of strikes for stock option. 4
20. Write any four salient features of forward contracts. 4
21. **a.** Mention any six regulatory framework under SEBI for trading in India. 6
Or
b. Explain any six adjustments for corporate actions for stock options.
22. **a.** State the cross margining benefits for derivative segments. 6
Or
b. Explain the two types of future contract settlements.
23. **a.** Explain the options pay-offs profile for buyer of assets and seller of assets with diagram. 6
Or
b. Write short notes on: (2x3 = 6)
i) In-the-money option
ii) At-the-money option
iii) Out-of -the money option
24. **a.** Explain the eligibility criteria of stocks under derivative trading. 6
Or
b. Explain the order types and conditions in trading derivative contract.
