(Time: 2 ½ Hours) **[Total Marks: 75]**

Note: 1. All questions are compulsory.
2. Figures to the right indicate full Marks.
3. Working note should form part of your Answer

Q.1. A. Choose the Correct Alternatives: (Any 8) **08**

1. ___________ trading is done on margins.
a. Liquidity b. Commodity
c. Commodity futures d. Futures

2. Trading in derivative market ___________ price volatility
a. Reduces b. Increases
c. Controls d. None of these

3. The process of the basis approaching zero is called _________
a. Convergences b. Divergences
c. Cost of carry d. None of these

4. An asset cannot have ___________ intrinsic value.
a. Negative b. Positive
c. Neutral d. All of these

5. A ____ order is valid for the day on which it is entered.
a. IOC b. COZ
c. Limit d. Day

6. Put option when ruling spot price (S) is less than exercise price (X) then the option is (S<X).
a. In the Money b. Out of the Money
c. At the Money d. None of these

7. ________ arrays are calculated separately for separate underlying assets
a. Risk b. SPAN
c. PC d. None of these

8. The amount by which an option is In- the -Money is called its _______.
a. Convergences b. Intrinsic Value
c. Cost of carry d. Time Value

9. _______________Options can be exercised on the expiration date only.
a. In - the Money option b. European Option
c. American Option d. Bermudan Option

10. Black -Scholes model for calculating the premium of an option was introduced in ______.
a. 1971 b. 1972
c. 1973 d. 1974

B. State whether the statement is true or false: (Any 7) **07**

1. Commodities future contracts and the exchange they trade in are governed by the forward contracts (Regulation) Act, 1953
2. Forward contracts usually end with deliveries
3. The arbitrage entails two positions on the same contract in two different markets
4. Strike price is the pre-determined price at which the asset can be bought or sold
5. open positions, in option contracts, case to exist after their expiration day
6. VaR gives multiple risk measure aggregating all positions in spot or derivatives market

7. The pay - out of MTM settlement shall continue to be done on a T+1 day basis
8. Maintenance margin is the maximum required to be kept by the contracting party at any given point of time
9. In Black - Scholes model E = Exponential terms
10. The SPAN risk parameter files presents a static snapshot of the market at a point in time

Q.2.	**A.**	Explain the history and origin of commodity market?	**07**
	B.	What are the Reasons for Investing in Commodity Market?	**08**
		OR	
	C.	Explain the features of derivative market	**08**
	D.	Who are the participants of derivative market	**07**
Q.3.	**A.**	Explain the following terms: i. Future Price ii. Contract Cycle iii. Initial Margin iv. Mark to Market Margin	**07**
Q.3.	**B.**	If cost of 10gm gold in the spot market is Rs. 32,000/- and the locker rent for storing the gold is Rs.500 for six months, insurance Rs.100 and interest rate is 10% p.a. then what is the fair value of a 6 months futures contract?	**08**
		OR	
Q.3.	**C.**	Explain the cost of carry model of futures pricing	**07**
Q.3.	**D.**	Sunita feels that the stock price of Reliance will go down. She sells 10 futures contracts expiring after 3 months. The lot size of each contract is 500 shares. The short position is taken at future price of Rs 1050/-. calculate the position value. Find out the possible gain or loss on the positions, if after 3 months the spot rate moves to: i. Rs.1150/- ii. Rs.1050/- iii. Rs.950/-	**08**
Q.4.	**A.**	Explain the following terms: i. Call option ii. Intrinsic Value iii. Strike Price iv. Option Premium	**07**
Q.4.	**B.**	Mrs.X buys a call option on stock of Axis bank Ltd by paying option premium of Rs.28/- having exercise price of Rs.550. Calculate Profit and loss of Mrs X if spot price at expiry will be Rs. 530, Rs.550, Rs. 570 and Rs. 590. and present it graphically	**08**
		OR	
Q.4.	**C.**	Explain the difference between futures and options	**07**
Q.4.	**D.**	Mr Ajit buys a put option on stock of ICICI bank Ltd by paying option premium of Rs.12/- having exercise price of Rs.310. Calculate Profit and loss of Mr Ajit if spot price at expiry will be Rs. 280, Rs.290, Rs. 300, 310 and Rs. 320. and present it graphically	**08**

Q.5. **Write Short Notes: (Any 3)** **15**

1. Types of Orders.
2. Explain any Two Methods Of Computing VaR
3. Futures V/S Forward
4. Types of Risk
5. Settlement of futures
