

VVM's Shree Damodar College of Commerce & Economics, Margao, Goa
TY BBA(FS), Semester V, Semester End Assessment, November 2023
BFS DSEC 4: DERIVATIVES: EQUITY AND CURRENCY

Duration: 02 Hours**Marks:60****Instructions:**

1. *Start each question on fresh page.*
2. *Figures to the right indicates the full marks.*
3. *Q1 is compulsory.*
4. *Answer any FOUR from Q2 to Q7*

Q.1. Answer any FIVE of the following**(5x4 = 20 Marks)**

- a. Explain any four Functions of the Derivatives Market.
- b. Explain any four instruments of Derivatives.
- c. In the derivatives market, futures and forwards are closely related contract types, but they possess significant differences that are important to understand. Elucidate.
- d. Mr. Myron is a novice trader entering the world of futures derivatives. As he delves into trading future contracts, he encounters two crucial terms: initial margin and maintenance margin. Explain these two types of margins to Mr. Myron with practical example.
- e. Explain the entities in trading system.
- f. National Commodity and Derivatives Exchange (NCDEX) and Multi Commodity Exchange of India (MCX) are two commodity exchanges in India. Explain.

Q.2 You are a financial analyst tasked with providing a comprehensive overview of the recent developments in the derivatives market to a group of investors. Explain. **(10 Marks)**

Q.3. Ms. Ruth is new to options trading and wants to understand the difference between a long put and a short put option. Explain her the potential payoffs and risks associated with each strategy. Use an example to illustrate how these options work, how they can be profitable, and under what circumstances they may result in losses. **(10 Marks)**

Q.4. You are an agricultural economist working with a farming community that primarily produces wheat, corn, and soybeans. The community is curious about the commodity market and its relevance to their agricultural activities. Explain the role and importance of the commodity market, particularly in relation to agricultural products. **(10 Marks)**

Q.5. You are a financial consultant working with a client who is considering different investment options. Your client Mr. Sujeet is interested in understanding the differences between the spot market and the derivatives market. Highlight the key distinctions between both markets to Sujeet. **(10 Marks)**

Q.6. Investors can use different types of orders while purchasing or selling the futures and options as per their investing objective. Considering the above statement, explain various types of orders with the help of examples.

(10 Marks)

Q.7. Futures and options contracts can offer two distinct settlement methods: cash settlement and physical settlement. Explicate the differences between these two settlement methods.
