

Duration: 2 Hours

Max. Marks: 30

- Instructions: 1. All questions are compulsory.
2. Figures to the right indicate maximum marks.
3. Start each question on a fresh page.

Q1. Write short notes on any 4 of the following: (2.5x4= 10 marks)

- a) Margin in derivatives contract
- b) Options contract
- c) Taxation of derivative transaction in Securities
- d) Intrinsic value
- e) Participants in derivative market.

Q2. A. What are the factors affecting option prices? (5 marks)

B. Elaborate on different types of derivative contracts. (5 marks)

OR

X. Explain long and short positions in call options contract with suitable diagram. (5 marks)

Y. The current market price of Ranbaxy Ltd. shares is Rs. 5000 and the risk free rate is 12%. Find 3 months futures price:

i. If no dividends are expected during this period.

ii. If the stock is expected to pay dividend of Rs. 200 after 3 months.

(e^x values: $e^{0.00} = 1.0000$, $e^{0.01} = 1.0101$, $e^{0.02} = 1.0202$, $e^{0.03} = 1.0305$, $e^{0.04} = 1.0408$, $e^{0.05} = 1.0513$

$e^{-0.01} = 0.9901$, $e^{-0.02} = 0.9802$, $e^{-0.03} = 0.9705$, $e^{-0.04} = 0.9608$, $e^{-0.05} = 0.9513$.)

(5 marks)

Q3. A. Explain payoff for short and long positions in futures contract with suitable payoff diagram. (5 marks)

B. Explain theoretical Model of future prices. (5 marks)

OR

X. Suzlon Energy Ltd. Futures are tradable in multiple of 50 units. Initial margin is required at 20% for buyer and 25% for seller. Current level of Suzlon Energy Ltd. Futures is Rs. 5,500. The settlement prices for next 4 days are Rs. 5580, Rs. 5600, Rs. 5420, Rs. 5350 respectively. Find out mark to margin and closing balance of margin on daily basis and also net profit or loss position of an investor:

i. Who buys the futures contract.

ii. Who sells the futures contract.

(10 marks)