

Duration: 2 Hours

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

(2.5x4= 10 marks)

Q1. Write short notes on any 4 of the following:

- a) Margin in derivatives contract
- b) Forward contract
- c) Taxation of derivative transaction in Securities
- d) Moneyness of an Option
- e) Risk Management in derivatives.

(5 marks)

Q2. A. What are the factors affecting option prices?

(5 marks)

B. Discuss the various Participants in derivative market.

OR

X. What is the derivative futures contract? Explain advantages and disadvantages of futures contract.

(5 marks)

Y. The current market price of Reliance Ltd. shares is Rs. 6000 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. 300 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 payouts for short and long positions in call option contract with suitable diagram.

(5 marks)

(5 marks)

B. How is settlement done in Futures and option contracts?

OR

X. Glaxo Ltd. Futures are tradable in multiple of 50 units. Initial margin is required at 20% for buyer and 25% for seller. Current level of Glaxo Ltd. Futures is Rs. 4,500. The settlement prices for next 4 days are Rs. 4580, Rs. 4600, Rs. 4420, Rs. 4350 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)

*****The End*****