

VVM'S SHREE DAMODAR COLLEGE OF COMMERCE & ECONOMICS  
TY BBA (FS), SEMESTER V, SEMESTER END ASSESSMENT, OCTOBER 2019  
SUBJECT: BFS E508 – DERIVATIVES: EQUITY AND CURRENCY

**TIMING: 2 HOURS**

**MARKS: 30**

**Instructions:**

1. Figures to the right indicate maximum marks.
2. Start each new question on a fresh page.
3. All the questions compulsory.
4. Answers to sub questions for Q.1 should be approximately 125 words each.
5. Answers to sub questions for Q.2 & Q.3 should be approximately 350 words each.

**Q1. Write a short note on any two of the following: - (2 x 5 Marks) ... 10 Marks**

- a) Forward contract
- b) Moneyness of an options contract
- c) Evolution of derivatives market
- d) Short position in call option

**Q2. a) 'Derivatives are considered as a risk management tool'. Discuss the reasons for an effective management of risks in derivatives. 04 Marks**

**b) What are pay off futures? Explain the payoff for buyers and sellers of futures contract. 06 Marks**

**OR**

**Q2. x) What are the advantages of futures contract in derivatives market? 04 Marks**

**y) Hindalco Ltd. is currently trading at a price of Rs. 202/- in futures market with a lot size of 1500 units. The settlement prices for next five days are Rs. 207/-, Rs. 202/-, Rs. 199/-, Rs. 206/- & Rs. 208/-. Maintenance level margin is Rs. 55000/-. Find out mark to market margin on daily basis and also calculate the profit or loss of only long position investor if the contract is settled on the last date. (Initial Margin is 20% of total futures contract value) 06 Marks**

**Q3. a) 'Option strategies are a way to take advantage of market situations'. Enumerate the option strategies adopted option trader under different circumstances. 10 Marks**

**OR**

**x) Explain the factors affecting option prices in the derivatives segment. 10 Marks**

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