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| <b>[Time:3.00 Hrs.]</b>                                     |   | <b>[ Marks:60 ]</b> |
| Please check whether you have got the right question paper. |   |                     |
| N.B:  | 1. Q.1 would be compulsory and would carry 20 Marks.<br>2. Students have to attempt any four out of the remaining six Questions (Q.2 to Q.7) and within each question; students have to attempt any two Out of three sub – questions. |                     |

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| Q.1 | <p><b>Multiple choice questions with appropriate options: (Compulsory):</b></p> <p>1. _____ risk is a loss may occur from the failure of another party to perform according to the terms of a contract?</p> <p>a) Credit    b) Currency    c) Market    d) Liquidity</p> <p>2. Financial derivatives includes?</p> <p>a) Stock    b) Bonds    c) Future    d) Currency</p> <p>3. _____ is one of the most well-known stress test methodologies.</p> <p>a) Philip Kotler    c) Monte Carlo simulation.<br/>b) David Hunnar    d) Allen Rodrigues.</p> <p>4. A long contract requires that the investor _____</p> <p>a) Sell securities in the future    b) Buy securities in the future<br/>c) Hedge in the future    d) Close out his position in the future</p> <p>5. The disadvantage of swaps is that they _____</p> <p>a) Lack of liquidity    b) Suffer from default risk<br/>c) Both A &amp; B    d) B only</p> <p>6. Hedging by buying an option _____</p> <p>a) Limits gain    b) Limits losses<br/>c) Limits gain &amp; losses    d) Has no limit on losses</p> <p>7. All other things held constant premium on options will increase when the _____</p> <p>a) Exercise price increases    b) Volatility of the underlying assets fails<br/>c) Term to maturity increases    d) Both B &amp; C</p> | <b>20X1</b> |
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|  | <p>8. An option allowing the owner to sell an asset at a future date is a _____</p> <p>a) Put option                      b) Call option                      c) Forward option                      d) Future contract</p> <p>9. Composite value of traded stocks group of secondary market is classified as _____</p> <p>a) Stock index                      b) Primary index</p> <p>c) Stock market index                      d) Limited liability index</p> <p>10. _____ is the minimum amount which must be remained in a margin account</p> <p>a) Maintenance margin                      b) Variation margin                      c) Initial margin                      d) Nil margin</p> <p>11. The number of future contract outstanding is called _____</p> <p>a) Liquidity                      b) Float                      c) Volume                      d) Turnover</p> <p>12. The amount paid for an option is the _____</p> <p>a) Strike price                      b) Discount                      c) Premium                      d) Yield</p> <p>13. Futures contracts are more successful than interest rate forward contracts because they:</p> <p>a) are less liquid                      b) have greater default risk</p> <p>c) are more liquid                      d) have an interest rate tied to the discount rate</p> <p>14. The payoffs for financial derivatives linked to</p> <p>a) Securities that will be issued in the future                      b) The volatility of interest rates</p> <p>c) previously issued securities                      d) The volatility of dividend rates</p> <p>15. Which of the following is not a problem with an interest rate forward contract</p> <p>a) Low interest rate                      b) default risk                      c) lack of liquidity                      d) finding a counterparty</p> <p>16. The _____ derivatives have become increasingly popular and most commonly used in the world of finance.</p> <p>a) financial                      b) interest                      c) investment                      d) money</p> <p>17. OTC it stands for _____</p> <p>a) over-the-counter.                      b) over-to-counter.                      c) over-the-credit.                      d) over-the-cash</p> <p>18. TSD it stands for _____</p> <p>a) Trading Specific Delivery                      b) Transferable Specific Delivery</p> <p>c) Transferable Simple Delivery                      d) Traditional Specific Delivery</p> |
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|     | <p>19. FRA it's stands for _____</p> <p>a) Forward rate agreements                      b) Free rate agreements</p> <p>c) Final rate agreements                      d) Forward rent agreement</p> <p>20. The _____ on which the commodity will be bought/sold is determined in advance.</p> <p>a) date              b) day              c) week              d) year</p> |     |
| Q.2 | <p>Attempt any two</p> <p>A) Discuss the participants of derivatives in the trading context.</p> <p>B) Explain the different types of derivatives along with their features, in brief.</p> <p>C) Briefly, explain the Exchange-traded vs. OTC derivatives markets.</p>  | 5X2 |
| Q.3 | <p>Attempt any two.</p> <p>A) Explain in detail binomial option pricing model.</p> <p>B) List the major features of forward contracts.</p> <p>C) Explain the various types of settlements.</p>  | 5X2 |
| Q.4 | <p>Attempt any two.</p> <p>A) Differentiate between Gamma Hedging vs. Delta Hedging:</p> <p>B) Write note on DELTA.</p> <p>C) Write down the functions of clearing members?</p>   | 5X2 |
| Q.5 | <p>Attempt any two.</p> <p>A) Explain the Binomial Option Pricing Model</p> <p>B) Explain in detail Hedging.</p> <p>C) Write note on Volatility smile.</p>  | 5X2 |
| Q.6 | <p>Attempt any two.</p> <p>A) Explain the difference between Historical and implied volatility.</p> <p>B) Briefly explain about the clearing mechanism?</p> <p>C) Briefly discuss the trading mechanism of the forward market.</p>  | 5X2 |
| Q.7 | <p>Attempt any two Short Notes.</p> <p>A) Explain in detail Stress testing and back testing.</p> <p>B) Discuss acquiring Knowledge of the Option Pricing Theory</p> <p>C) Explain the three primary shapes of interest rates.</p>   | 5X2 |