

[Time:3.00 Hrs.]		[Marks:60]
Please check whether you have got the right question paper.		
N.B:	1. Q.1 would be compulsory and would carry 20 Marks. 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.	

Q.1	<p>Multiple choice questions with appropriate options: (Compulsory):</p> <ol style="list-style-type: none"> The number of future contract outstanding is called _____. a) Liquidity c) Float b) Volume d) Turnover The binomial option pricing model makes use of an iterative approach, which enables the definition of nodes, also known as _____. a) Points in time c) Frequency in time b) Speed in time d) Lots in time is one of the most well-known stress test methodologies. a) Philip Kotler c) Monte Carlo simulation. b) David Hunnar d) Allen Rodrigues. A long contract requires that the investor _____. a) Sell securities in the future c) Buy securities in the future b) Hedge in the future d) Close out his position in the future _____ is the minimum amount which must be remained in a margin account a) Maintenance margin b) Variation margin c) Initial margin d) Nil margin "A _____ is a commitment to purchase at a future date a given amount of a commodity or an asset at a price agreed on today." a) Forward contract c) Future contract b) Swaps contract d) Options contract _____ indicates the sensitive of option in respect to changes in volatility. a) VIGA b) VEGA c) VEEGA d) VIGI All other things held constant premium on options will increase when the _____. a) Exercise price increases b) Volatility of the underlying assets fails b) Term to maturity increases d) Both B & C 	20X1
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	<p>9. Composite value of traded stocks group of secondary market is classified as _____</p> <p>a) Stock index c) Primary index b) Stock market index d) Limited liability index</p> <p>10. The term " _____ " is frequently used to describe an option's cost.</p> <p>a) Premium c) Par b) Discount d) issue</p> <p>11. _____ is one of the most well-known stress test methodologies.</p> <p>a) Philip Kotler c) Monte Carlo simulation. b) David Hunnar d) Allen Rodrigues.</p> <p>12. In the _____, the financial derivatives were also known as off-balance sheet instruments because no asset or liability underlying the contract was put on the balance sheet as such.</p> <p>a) 1980s c) 1990s b) 1970s d) 1950s</p> <p>13. The number of future contract outstanding is called _____</p> <p>a) Liquidity b) Float c) Volume d) Turnover</p> <p>14. The amount paid for an option is the _____</p> <p>a) Strike price b) Discount c) Premium d) Yield</p> <p>15. Which of the following is not a problem with an interest rate forward contract</p> <p>a) Low interest rate c) default risk b) 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 c) interest b) investment d) money</p> <p>17. A _____ which derives its value from the prices, or index of prices of underlying securities.</p> <p>a) Contract c) Negotiation b) Investment d) Loan</p> <p>18. The rate of change that occurs between the value of an option and a change of one percentage point in the interest rate is _____</p> <p>a) DHO b) RHO c) DFF d) HOR</p>	
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Q.2		<p>Attempt any two</p> <p>(a) Explain in detail binomial option pricing model.</p> <p>(b) Discuss acquiring Knowledge of the Option Pricing Theory.</p> <p>(c) Explain the various types of settlements.</p>	5X2
Q.3		<p>Attempt any two.</p> <p>(a) Discuss the participants of derivatives in the trading context.</p> <p>(b) List the major features of forward contracts.</p> <p>(c) Briefly, explain the Exchange-traded vs. OTC derivatives markets.</p>	5X2
Q.4		<p>Attempt any two.</p> <p>(a) Differentiate between Gamma Hedging vs. Delta Hedging:</p> <p>(b) Write note on Volatility smile.</p> <p>(c) Explain in detail black-scholes option pricing.</p>	5X2
Q.5		<p>Attempt any two.</p> <p>(a) Write down the functions of clearing members?</p> <p>(b) Explain in detail Hedging.</p> <p>(c) Write note on DELTA.</p>	5X2
Q.6		<p>Attempt any two.</p> <p>(a) Explain the three primary shapes of interest rates.</p> <p>(b) Explain risk management process.</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 the difference between Historical and implied volatility.</p> <p>(b) Briefly explain about the clearing mechanism?</p> <p>(c) Discuss the advantages and disadvantages of Risk Management Process.</p>	5X2