Q.P.Code:16161

[Time: 2.5 Hours] **[Marks:75]**

Please check whether you have got the right question paper.

N.B: 1. All questions carry equal marks. Questions 1 to 4 have internal choice.

Q1) Attempt **ANY TWO:-**

A. Explain the elements of a derivative contract (7.5)
B. Define Commodity Market. Explain its history and growth in India (7.5)
C. Distinguish between Forwards and Futures. (7.5)

Q2) Attempt **ANY TWO:-**

A. An investor took a position in futures market. He sold the futures of Infosys Stock. The futures price for the same is Rs.3930. On expiry the cash market price is Rs. 4000. Find the profit or loss for a lot size of 50 shares. Also draw a payoff diagram for the same. (7.5)
B. Explain the concept of Imperfect Hedge? What are the reasons for Imperfect Hedge? (7.5)
C. Explain the following terminologies – Cost of carry, Expiry date, Futures price. (7.5)

Q3) Attempt **ANY TWO:-**

A. Aakash buys a put option on the stock of Aman Enterprises. He pays an option premium of Rs.20 The exercise price being Rs.500. Calculate the profit or loss if the spot price on maturity is any of the following – 470, 480, 490, 500, 510, 520, and 530.Also draw a payoff diagram for the same. (7.5)
B. What is Option Premium? What are the factors affecting Option Premium (7.5)
C. Write a note on Option Pricing models. (7.5)

Q4) Attempt **ANY TWO :-**

A. What are various types of Orders used for trading in Derivatives Market? (7.5)
B. What are the objectives of NSCCL? (7.5)
C. What is VAR? What are the methods of calculating VAR? (7.5)

Q.5) Case Study:

Gold prices zoomed by Rs 77 to Rs 29,147 per 10 grams in futures trade today as speculators created positions amid positive cues from the global market.

At the Multi Commodity Exchange, gold for delivery in far-month June moved up by Rs 77, or 0.26 per cent, to Rs 29,147 per 10 grams in a business turnover of 12 lots.

The metal for delivery in February was trading higher by Rs 72, or 0.25 per cent, to Rs 29,093 per 10 grams in a turnover of 454 lots.

Analysts said widening of bets by participants, tracking a firming trend in global market, influenced the precious metal here in futures trade.
Meanwhile, gold rose 0.31 per cent to USD 1,228.50 an ounce in Singapore

1. As per case study what are the reasons for the rise price of GOLD in futures market? (2.5)

2. In case you are a jewellery manufacturer in India and import gold then what will you do to hedge your risk (2.5)

3. As per case study what has been the movement in Gold Value in Singapore Market? (2.5)

4. What derivatives instruments can be used to Hedge positions in Market. (2.5)

B) If the cost of 10 gm Gold in the spot market is 35000 and locker rent is 1000 Rs. For 3 months, Insurance is Rs. 250 and Interest rate is 7% p.a. Calculate Fair Value for 3 months futures contract on Gold? (5marks)
