Online Examinations (Even Sem/Part-I/Part-II Examinations 2020 - 2021

Course Name - –Financial Derivatives
Course Code - FM402

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- MCA
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- M.SC.(AM)
- M.SC.CS)
- M.SC.(ANCS)
- M.SC.(MM)
- B.A.(Eng)

Answer all the questions. Each question carry one mark.

9. 1. Evidence of first derivative was observed in-

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- 20 th century
- 19th century
- in Greek History
- 500 years back

10. 2. Derivative (exchange traded) started in India in the year-

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- 2001
- 2002
- 2003
- 2004

11. 3. Only profit is made in-

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- hedging
- speculation
- arbitrage
- all of these

12. 4. First derivative instrument in India has underlying asset on-

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- share
- index
- bond
- commodity

13. 5. According to Gupta committee recommendations, minimum networth of a member involved in derivative trading should be-

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- 1 crore
- 3 crore
- 5 crore
- 10 crore

14. 6. Separation of cash and derivative segment of an exchange in India is based on the recommendation of-

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- Tandon Committee
- Sachar Committee
- Chore Committee
- Gupta Committee

15. 7. A Forward Rate Agreement is undertaken today. Loan will be taken after 2months for atenure of 6 months. This forward contract is written as-

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- 0 X 2 FRA
- 2 X 6 FRA
- 2 X 8 FRA
- 0 X 8 FRA

16. 8. Recivable amount decreases when-

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- domestic currency depreciates
- domestic currency appreciates
- domestic curency value is stable
- it can occur in any of these situations

17. 9. In FRA important dates are (i) agreement date (ii) Loan taking date and (iii) loan maturity date. But FRA is closed on-

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- agreement dates
- loan taking date
- loan repayment date
- can be settled on any date

18. 10. How clearing house of derivative market neutralises default risk-e

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- takes written guarantee
- blocks required amountin the bank account
- takes margin
- marks margin on daily basis

19. 11. Following property is not applicable in commodity futures-

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- no consumption cost
- short in life
- limited supply due to weather dependence
- difficult to deliver and settle

20. 12. Risk as distinct from uncertainty considers

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- Maximin approach
- Qualitative approach
- Maximax approach
- Quantitative approach

21. 13. Interest rate risk will not affect

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- Bond holder
- Lender
- Borrower
- Shareholder

22. 14. Financial derivatives does not include

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- swaps
- options
- futures
- loans

23. 15. Financial derivatives underlying assets include

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- Bond
- Share
- Futures
- None of them

24. 16. Following is not a financial derivative

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- Stock
- Futures
- options
- Forward contract

25. 17. Derivatives are traded in the market-

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- Assets backed market
- Cash flow backed market
- Mortgage backed market
- Derivative securities market

26. 18. House which guarantees that all buying and selling will be made by the trader of exchange is called

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- Trading house
- Guarantee house
- Clearing house
- Professional house

27. 19. Which of the following does the most to reduce default risk for futures contracts?

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- Marking to market
- Flexible delivery arrangements
- Credit checks for both buyers and sellers
- High liquidity

28. 20.Short hedging on commodity futures will mean

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- Buy futures & underlying asset
- Buy underlying asset and sell futures
- Sell futures & underlying asset
- Sell underlying asset and buy futures

29. 21. Existence of Basis risk in futures will make hedging

Mark only one oval.

- perfect
- Imperfect and loss
- Imperfect and profit
- Both Imperfect and loss & Imperfect and profit

30. 22. Spot market speculations have limitations like-___________

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- Huge fund requirements
- High risk
- Short sale not possible
- All of them

31. 23.Strike price in option is defined as-

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- Market price of underlying asset
- Market price of option
- Exercise price
- Premium

32. 24. In a call option if S

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- In the money
- At the money
- Out of money
- Cannot be specified

33. 25. Lower band of put premium is given by zero or

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- S0-Xe-rt
- X.e-rt-S0
- Xert-S0
- S0-Xert

34. 26.Price of a commodity futures in NCDEX on 21st January is Rs.6,700. Same futures in MCX is Rs. 6,800. It is a situation of

Mark only one oval.

- Intercommodity spread
- Intermarket spread
- Calender spread
- None of the above

35. 27. NIFTY derivatives was introduced in India on-

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- 9st June 2001
- 9th June 2000
- 12th June 2000
- 12th June 2001

36. 28. Tailor made options are known as

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- OTC option
- Exchange traded option
- American option
- European option

37. 29. Maximum value of call option is

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- Spot price
- Exercise price
- Present value of excercise price
- Present value of time value

38. 30. Theta value in option indicates sensitivity of option price due to-

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- Change in asset price
- Time left for maturity
- Price of underlyings
- Change in market interest

39. 31. Blac-Scholes option valuation model is based on following assumptions-

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- Lognormal distribution of price
- In call option, no dividend till expiration
- Applicable on European style only
- All of them

40. 32. Merton Model for option valuation is modification of black schole model. It has helped in the removal of folowing assumption of Black-Schole model

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- a. Log normal price distribution not required
- Applicable on American call option
- Dividend payment within expiry period is possible
- None of the above

41. 33. Pay off of financial derivative is linked to-

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- Securities that will be issued in future
- Securities that are already issued
- Volatility of interest rate
- Allowable rate of return specified by government

42. 34. Hedging risk for a long position requires-

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- Taking a short position
- Taking a second long position
- Taking both short and long position of equal amount
- Taking a neutral position

43. 35. Investor having short contract is known as-

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- Sell securities in future
- Buy securities in future
- Hedge in the futures
- Close out his position in the futures

44. 36. Hedging in futures market eliminates

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- Scope of future gain
- Eliminates future loss
- Eliminate both loss and profit making opportunities
- Increases earning potential of portfolio

45. 37. An option that can be exercised at any time upto maturity is known as-

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- SWAPS
- American option
- European option
- Stock option

46. 38. Which one of the following is most similar to stock broker?

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- Local
- Future commission merchant
- Pit broker
- Floor broker

47. 39. Using futures contract to diversify price risk is known as-

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- Hedging
- Speculating
- Arbitraging
- Diversifying

48. 40. A call option has strike price of Rs.45. It is bought at Rs.4. If spot price of underlying stock is Rs.42, estimate profit/loss

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- 3
- -3
- -4
- -7

49. 41. Value of call and put are same in binomial tree model of option. It happens for

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- European call and American call
- European put and American put
- European call and European put
- American call and American put

50. 42.When price of underlying asset increases then good option is

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- buy the call option
- sell the call option
- buy the put option
- sell the put option

51. 43. Up front fees paid by buyer to seller in option is known as-

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- Call premium
- Discount premium
- Strike premium
- Exercise premium

52. 44. Option exercisable only on the date of maturity is known as

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- European option
- Canadian option
- American option
- British option

53. 45. Investor has purchased 100 shares of a company. Also he has purchased one lot of puts. A lot consists of 40 shares. Premium is Rs.3 per share.Price of share has increased since last 8 months. Suppose he has a fear of possible downfall in the price. Then his maximum loss can be-

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- Rs.3
- Rs.7
- Rs.4
- Unlimited

54. 46. Investor has purchased 100 shares of a company. Also he has purchased one lot of puts. A lot consists of 40 shares. Premium is Rs.3 per share. At what price, market will break even

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- Rs.40
- Rs.37
- Rs.33
- Rs.47

55. 47. An investor has sold 100 shares of companyX. at Rs.62. Also he has purchased equivalent call at a premium of Rs.2 per share. On maturity he has purchased shares at rs.65. His profit/loss is-

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- -Rs.2
- -Rs.3
- -Rs.5
- +Rs.5

56. 48. An investor sell 100 shares at Rs.70. Also he writes one put of exercise price of Rs.70 at Rs. 3. What is his maximum gain

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- Rs. 73 per share
- Rs.70 per share
- Rs. 67 per share
- Rs.3 per share

57. 49. Which one is true for SWAPTION

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- Two derivative contract Swaps and Option
- Right to enter into Swaps at the expiry of option
- Helpful for a firm paying fixed rate on borrowings and anticipate rise in future interest rate
- Helpful for a firm paying floating rate on borrowing and anticipate fall in interest rate in future

58. 50. Suppose share of X ltd is available from the market at Rs 50. A call option is available in the market at strike price of Rs 55 with maturity period of 1 month at a premium of Rs 5. Mr A has decided to adopt the strategy of writing a covered call. Then following statement is true

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- Upside profit limited & downside loss unlimited
- Upside profit unlimited & downside loss is also unlimited
- Upside profit is unlimited & downside loss is limited
- Both upside profit and downside loss are limited

59. 51. Protective put is effective when market is

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- Bullish
- Bearish
- Stable
- Always effective

60. 52. Bull spread strategy is used in a

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- Booming market
- Bearish Market
- Stable Market
- Under any situation

61. 53.An investor buys for Rs 3 a call with a strike price of Rs 30 and sells for rupee 1 a call with strike price of Rs 35. Calculate Maximum profit and maximum loss-

Mark only one oval.

- Rs.3, Rs.2
- Rs. 2, Rs. 3
- Rs.2, Rs.2
- Rs.3, Rs.3

62. 54. In Long Straddle, maximum profit, Maximum loss are ...., ...

Mark only one oval.

- Limited, Limited
- Unlimited, limited
- Limited, unlimited
- Unlimited, Unlimited

63. 55. In Straps strategy speculator will buy ....call and ....put

Mark only one oval.

- One, One
- One , two
- Two, one
- Two, two

64. 56. In bull spread, maximum profit is---------- and maximum loss is ------

Mark only one oval.

- Limited, limited
- Limited, unlimited
- Unlimited, limited
- Unlimited, unlimited

65. 57. In long butterfly, we use-

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- One call and one put with different strike price
- One call and one put of same strike price
- Three calls of different strike price
- Two calls and one put of different strike price

66. 58. Condor Spread is a modified version of-

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- Straddle
- Strangle
- Spread
- Strip, strap

67. 59. Calender spread is formed by using

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- Options on different assets
- Options on same assets with different strike price
- Options on same assets with different maturity period
- Options on two different assets with different volatility

68. 60. Reduction of volatility in share price will cause-

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- reduction in premium
- Minimization of risk
- Minimization of loss
- none of these

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