Online Assessment (Even Sem/Part-I/Part-II Examinations 2019 - 2020

Course Name - Basic Derivatives and Risk Management
Course Code - BCM604A

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Answer all the questions. Each question carry one mark.

9. 1. Risk as distinct from uncertainty considers-

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

10. 2. Financial risk does not include-

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- Interest rate
- Credit terms
- Exchange rate
- Marketing mix

11. 3. Following model is not included in exchange rate equivalency model

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- International Fletcher effect
- International Fisher effect
- Interest rate parity theory
- Expectation theory

12. 4. Interest rate risk will not affect-

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- Bond holder
- Lender
- Borrower
- Shareholder

13. 5. A future contract is not-

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- Priced using tricks
- A standard contracts
- Protection against downside risk
- tradeable

14. 6. Financial derivatives include

Mark only one oval.

- Bond
- Share
- futures
- None of these

15. 7. Following is not a financial derivative-

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- Stock
- Futures
- options
- Forward contract

16. 8. Derivatives are traded in the market-

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

17. 9. A contract involving exchange of underlying asset in future at a specified price is known as-

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- Present contract
- Spot contract
- Future contract
- Derivative contract

18. 10. 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

19. 11. Stadardised futures contract exists for all except-

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- Stock Index
- Common stock
- Treasury bills
- Gold

20. 12. Unable to understand others lead toWhich of the following is false?

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- Futures contracts allow fewer delivery options than forward contracts
- Futures contracts are more liquid than forward contracts
- Futures contracts trade on a financial exchange
- Futures contracts are marked to market

21. 13. 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

22. 14. Following feature is not applicable for option

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- Right to buy
- Right to sell
- Premium is payable
- Obliged to pay

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

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

24. 16. Suppose in a coll option strike price=X, premium=C,spot price=S, then if S

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- Profit of C rupees
- Loss of C rupees
- No profit or loss
- Anything is possible

25. 17. Profit/loss curve of put buyer and writer are

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- Rising, falling
- Falling, rising
- Mirror image
- Any combinations are possible

26. 18. American options are-

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- Only traded in USA
- Can be exercised anytime
- Only traded outside USA
- Exercised on maturity

27. 19. Tailor made options are known as

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

28. 20. Bear spread indicates-

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- Buying a call with higher strike and selling another call of lower strike
- Selling a call with higher srrike and buying another call with lower strike
- Buying two calls of higher and lower strike price
- Selling two calls of different strike price

29. 21. Suppose there is a contract which enables investor to buy securities on future date is known as-

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- Short contract
- Long contract
- Cross
- Hedge

30. 22. Investor having short contract is known as-

Mark only one oval.

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

31. 23. 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

32. 24. Which one of the following is most similar to stock broker?

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

33. 25. 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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- 3
- 4
- 7
- Unlimited

34. 26. Which one will cause increase in futures price when other factors are held constant

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- Higher income received while carrying the underlying asset
- Lower expected spot price for underlying asset
- Lower risk free return
- Higher expected spot price for underlying asset

35. 27. 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

36. 28. Suppose domestic risk free rate is 10% and the same in USA is 6%. Then valuation of foreign currency option will consider interest rate as-

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- 4%
- 5%
- 6%
- 10%

37. 29. 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

38. 30. Consider buying of put option, probability that a buyer would have negative payoff increases with the

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- increase in stock price
- decrease in stock price
- increase in maturity duration
- decrease in maturity duration

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