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标题: Reading 70: Futures Markets and Contracts-LOS c 习题精选

作者: 1215 **时间:** 2011-3-31 11:53 **标题:** [2011]Session17-Reading 70: Futures Markets and Contracts-LOS c 习题精选

Session 17: Derivatives
Reading 70: Futures Markets and Contracts

LOS c: **Differentiate** between margin in the securities markets and margin in the futures markets, and **explain** the role of initial margin, maintenance margin, variation margin, and settlement in futures trading.

Which of the following statements regarding margin in futures accounts is NOT correct?

A) With futures margin, there is no loan of funds.

B) Margin *must* be deposited before a trade can be made.

C) Margin is usually 10% of the contract value for futures contracts.

The margin percentage is typically low as a percentage of the value of the underlying asset and varies among contracts on different assets based on their price volatility. The other statements are true.

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A similarity of margin accounts for both equities and futures is that for both:

A) interest is charged on the margin loan balance.

B) additional payment is required if margin falls below the maintenance margin.

C) the value of the security is the collateral for the loan.

Both futures accounts and equity margin accounts have minimum margin requirements that, if violated, require the deposit of additional funds. There is no loan in a futures account; the margin deposit is a performance guarantee. The seller does not receive the margin deposit in futures trades. The seller must also deposit margin in order to open a position.

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Initial margin deposits for futures accounts are:

A) set by the Federal Reserve for U.S. markets.

B) based on price volatility.

C) typically 50% of the purchase price.

Margin deposits for futures trades are based on the price volatility of the underlying asset, are set by the clearinghouse, and are typically a small percentage of the contract value.

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The clearinghouse in a futures contract performs all but which of the following roles? The clearinghouse:

A) guarantees the physical delivery of the underlying asset to the buyer of futures contracts.

B) allows traders to reverse their position without having to contact the other side of the position.

C) guarantees traders against default from another party.

The clearinghouse does not guarantee the physical delivery of the underlying asset. Indeed, most futures contracts do not have a physical delivery, but are reversed.

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Which of the following statements about futures margin is *least* accurate?

A) Initial margin must be posted to a futures account within three days after the first trade.

B) The initial margin on a contract approximately equals the maximum daily price fluctuation of the contract.

C) If the margin account balance falls below the maintenance margin level, the trader must bring the account back up to the initial margin level.

Initial margin must be posted before trading.

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In the trading of futures contracts, the role of the clearinghouse is to:

A) stabilize the market price fluctuations of the underlying commodity.

B) guarantee that all obligations by traders, as set forth in the contract, will be honored.

C) maintain private insurance that can be used to provide funds if a trader defaults.

The clearinghouse does not originate trades, it acts as the opposite party to all trades. In other words, it is the buyer to every seller and the seller to every buyer. This action guarantees that all obligations under the terms of the contract will be fulfilled.

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The money added to a margin account to bring the account back up to the required level is known as the:

A) variation margin.

B) daily settlement.

C) maintenance margin.

The money added to a margin account to bring the account back up to the required level is known as the variation margin. The minimum allowed in the account is called the maintenance margin. The daily settlement process requires marking-to-market each day.

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When a futures trader receives a margin call what must he or she do to bring the position up to the initial margin? The futures trader must:

A) sell stock to cover the margin call.

B) deposit variation margin.

C) deposit maintenance margin.

When a futures trader receives a margin call, he/she must deposit variation margin to bring the account up to the initial margin value.

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It is April 15, and a trader is entered into a short position in two soybean meal futures contracts. The contracts expire on August 15, and call for the delivery of

100 tons of soybean meal each. Further, because this is a futures position, it requires the posting of a $3,000 initial margin and a $1,500 maintenance margin per contract. For simplicity, however, assume that the account is marked to market on a monthly basis. Assume the following represent the contract delivery prices (in dollars per ton) that prevail on each settlement date:

April 15 (initiation)	173.00
May 15	179.75
June 15	189.00
July 15	182.50
August 15 (delivery)	174.25

What is the equity value of the margin account on the May 15 settlement date, including any additional equity that is required to meet a margin call?

A) $4,650.

B) $1,350.

C) $2,300.

Use the following steps to calculate the margin account balance as of May 15.

At initiation: (Beginning Balance, April 15)

Initial margin × number of contracts = 3,000 × 2 = 6,000

Maintenance margin × number of contracts = 1,500 × 2 = 3,000

As of May 15: (Ending contract price per ton ? beginning contract price per ton) × tons per contract × # contracts = (179.75 ? 173.00) × 100 × 2 = 1,350

Since the trader is short, this amount is *subtracted* from the beginning margin balance, or 6,000 ? 1,350 = 4,650.

Based on the May 15 settlement date, which of the following is *most* accurate?

A) Since the equity value of the margin account is above the initial margin, the trader can withdraw $1,350.

B) No margin call or disbursement occurs.

C) Since the equity value of the margin account is below the maintenance margin, a variation margin is called to restore the equity value of the account to it's initial level.

As of May 15, the margin balance is $4,650 (see solution to previous question). Since this is below the initial margin of $6,000 (both contracts), but still *above* the maintenance margin of $3,000, (for both contracts) no action is required.

There are three types of margin. The first deposit is called the *initial margin*. Initial margin must be posted before any trading takes place. Initial margin is fairly low and equals about one day's maximum price fluctuation. The margin requirement is low because at the end of every day there is a *daily settlement* process called marking-the-account-to-market. In *marking-to-market*, any losses for the day are removed from the trader's account and any gains are added to the trader's account. If the margin balance in the trader's account falls below a certain level (called the *maintenance margin*), the trader will get a margin call and have to deposit more money (called the *variation margin*) into the account to bring the account back up to the initial margin level.

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If the balance in a trader's account falls below the maintenance margin level, the trader will have to deposit additional funds into the account. The additional funds required is called the:

A) margin call.

B) variation margin.

C) initial margin.

If the margin balance falls below a specified level (the maintenance margin), additional capital (the variation margin) must be deposited in the account. Initial margin is the capital that must be in the trader's account before the initiation of the margin trade.

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If the margin balance in a futures account with a long position goes below the maintenance margin amount:

A) a margin deposit equal to the maintenance margin is required within two business days.

B) a deposit is required which will bring the account to the maintenance margin level.

C) a deposit is required to return the account margin to the initial margin level.

Once account margin (based on the daily settlement price) falls below the maintenance margin level, it must be returned to the initial margin level, regardless of subsequent price changes.

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The settlement price for a futures contract is:

A) an average of the trade prices during the 'closing period'.

B) the price of the last trade of a futures contract at the end of the trading day.

C) the price of the asset in the future for all trades made in the same day.

The margin adjustments are made based on the settlement price, which is calculated as the average trade price over a specific closing period at the end of the trading day. The length of the closing period is set by the exchange.

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Which of the following statements regarding a futures trade of a deliverable contract is NOT correct?

A) The long is obligated to purchase the asset.

B) Equilibrium futures price is known only at the end of the trading day.

C) The price is determined by open outcry.

Each trade is made at the then current equilibrium price, determined by open outcry on the floor of the exchange, and is reported as it is executed. The long is obligated to buy, and the short is obligated to sell, the specified quantity of the underlying asset.

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The initiation of a futures position:

A) requires both a buyer and a seller.

B) is done through a bank or other large financial institution acting as a dealer.

C) is at a price negotiated between the buyer and seller.

Futures trades are done through open outcry on the futures exchange and require a buyer (long) and a seller (short) for a trade to take place. The other statements are generally true for forward contracts, which are all individually negotiated.

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thanks a lot
