

Financial Derivatives

Paper: FM-404

Time: Three Hours]

(Maximum Marks: 70

Note:- Attempt FIVE questions in all. Q.No. 1 is compulsory. Rest four questions may be attempted ITom other seven questions. All questions carry equal marks.

1. Answer in 80 words approximately:

- (i) Explain the terms speculator and hedger.
- (ii) What is mark-to-market in futures market?
- (ill) What is backwardation?
- (iv) Explain straddle and sprangle in option market.
- (v) What do,;you mean by short and long position and short selling?
- (vi) Explain the mechanism of constructing a stock index.
- (vii) Explain the time value of an option contract.

2. Explain the term futures contract. What are their features? Explain with suitable examples the trading mechanism of futures contract' with suitable data taking Indian examples.

3. Explain the term interest rate futures. What are important features of these contracts? Also explain trading mechanism of short term interest rate futures contracts with examples.

4. Write notes on the following with imaginary data:

- (i) Cost and carry model of pricing
- (ii) Valuation of forward contract.

5. Explain the term Option Pricing. What factors are considered in this ? Also explain Binomial Model with suitable data in this respect.

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- 6. Explain the currency futures contracts. How ate ~ different nom. . 1
forWard currency contracts? How currency futures. pontracts are'
settled? Explain.
- 7. Critically examine the derivative~ market ill fudia with specwreference
to stock market. Also give yo~ suggestions in- thiS respect.
- 8. Writ~ notes on the following with suitable examples:
 - (i) .Mechanism of Curre~cy Swap Contracts
 - (ii) Options on Stock Indices.