

MMS/MX **6800**
Financial Derivatives
Paper: FM-404 ,

Time: Three Hours]

[Maximum Marks: 70

Note:- Attempt **FIVE** questions in all. **First** question is compulsory. All the questions carry equal marks.

1. Answer each question in app. 80 words:
 - (a) Distinguish between commodity derivative and financial derivative.
 - (b) What is basis hedging?
 - (c) What is cost and carry pricing?
 - (d) Distinguish between spot and forward interest rates.
 - (e) What is time value of option?
 - (f) Explain margin trading in futures contract.
 - (g) What is currency futures contract?
2. Distinguish between forward and futures contracts. Explain the trading mechanism of forward contracts. How will you determine the forward price? Explain.
3. What is hedging? How is it different from arbitraging? Explain the hedging strategy through futures contract alongwith its monitoring.
4. Critically examine the derivative market trading in Indian stock market-with suitable examples. Give your suggestions too in this respect.
5. Explain the term swap. What are its features and types? Explain the trading mechanism of interest rate swap market with suitable imaginary data.
6. What is option trading? Explain the various terms used in it. Explain the various trading strategies involving options in brief.
7. Distinguish between short term interest rate futures contract and long term interest rate futures contract. Also explain trading mechanism in short term interest rate futures market with suitable examples.
8. Write notes on the following:
 - (i) Option on stock indices
 - (ii) Binomial model of option.