Goa Vidyaprasarak Mandal's

Gopal Govind Poy Raiturcar College of Commerce and Economics,

Ponda Goa

M.Com (Semester IV) Examination, April 2015

ACCOUNTING & FINANCE

CO4A2: DERIVATIVES MARKETS (OB 10A)

Duration : 2 hours | Total Marks: 50

Instructions: Answer all Questions

---

1. Define the following **(5x2=10)**
   a. Out of the money option
   b. Future contract
   c. Hedging
   d. Basis risk
   e. Derivative

2. A) What is options contract? Explain any six option trading strategies. **(10)**

OR

2. X) What do you mean by future contract? Explain the different types of traders in derivatives markets. **(10)**

3. A) Explain the four entities of trading system in Indian derivatives markets. **(10)**

OR

3.X) Explain the sensitivity of option premia with examples. **(10)**

4.A) The share of Wipro Ltd is currently sold for Rs 60. There is a call option available at strike price Rs 56 for a period of 6 months. Find out the value of the call option given that the rate of interest of investor is 14% and the standard deviation of the return of the share is 30%. Use Black & Scholes Model. **(10)**

OR

4. X. 1) A commodity future is selling at Rs. 900. Dividend of Rs. 40 is expected after 6 months and 12 months. The risk free rate is 9%. What is the price of the 12 months future? **(5)**

4. X. 2) Equity shares of Kissan Ltd are being currently sold for Rs. 90 per share. Both the call options and put options for a 3 month period are available for strike price of Rs. 97 at a premium of Rs. 3 per share and Rs. 2 per share respectively. An investor wants to create a straddle position of the share. Find out the net pay off at the expiration of the option period if the share price on that day happens to be Rs. 90 or Rs. 105. **(5)**

5. A) The current market price of an asset is Rs. 80 (S). In one Year's time from now the price may be Rs. 100 (S1) or Rs. 70 (S2). A call option at the strike price of Rs 80 is available for Rs 20. The risk free rate of interest for the one period till expiration of call option is 10%. Find out the fair value of call option as per Binomial Model. **(10)**

OR

5. X.1) Market price of a Gold future at present is Rs. 930 with transaction cost of 2%. A dividend yield of 5% is expected. Risk free rate of return is 10%. Find out 3 months future price. **(5)**

5. X.2) An investor buys a Sensex future at Rs. 5700 in market lot of 200 futures. On the settlement date, the Sensex is Rs. 5800. Find out his profit or loss for one lot of futures. What would be his position, if Sensex is Rs. 5750 on the settlement date? **(5)**