**(Time: 2 ½ Hours)** **[Total Marks: 75]**

**Note: 1. All questions are compulsory.**
**2. Figures to the right indicate full Marks.**
**3. Working note should form part of your Answer**

**(1) Attempt any Two questions (7.5 Marks each)**

**A.** Explain the Reasons for Investing in Commodity Market? **(7.5)**

**B.** Who are the Participants in derivative market? **(7.5)**

**C.** What are the factors driving the growth of Derivative Market? **(7.5)**

**(2) Attempt any Two questions (7.5 Marks each)**

**A.** Explain cost of carry model of future pricing **(7.5)**

**B.** Explain the following terminologies: **(7.5)**

- **i.** Limit order
- **ii.** Basis
- **iii.** Option premium

**C.** Raj feels that the stock price of A will go up. He buys 5 futures contracts expiring after 3 months. The lot size of each contract is 700 shares. The Long position is taken at future price of Rs 1100/-. Calculate the position value. Find out the possible gain or loss on the positions, if after 3 months the spot rate moves to: **(7.5)**

i. Rs.1000/-
ii. Rs.1100/-
iii. Rs.1200/-

**(3) Attempt any Two questions (7.5 Marks each)**

**A.** Mrs.R buys a call option on stock of Union Bank by paying option premium of Rs.2/- having exercise price of Rs.50. Calculate Profit and loss of Mrs R if spot price at expiry will be Rs. 53, Rs.55, Rs. 57 and Rs. 59. and present it graphically **(7.5)**

**B.** Explain the following terms: **(7.5)**

- i. Option seller
- ii. Intrinsic Value
- iii. Strike Price

**C.** Discuss "Moneyness of Options" **(7.5)**

**(4) Attempt any Two questions (7.5 Marks each)**

**A.** What are the methods of Calculating VAR? **(7.5)**

**B.** What are objectives of NSCCL **(7.5)**

**C.** Discuss Margin and its Types? **(7.5)**

**(5) Case Study**

**A.** With the launch of weekly options, there has been an increase in market participation, especially traders, hedgers, speculators, brokers and other market intermediaries Speculators and institutions are using the weekly options to hedge short positions. The weekly options have been offering market participants a flexible and precise hedging tool to manage their exposure and trade short-term market movements. Additionally, they have led to better price discovery and improvement in market depth.

Weekly Options expire every week, typically on Thursday at market close, excluding the Thursday of the monthly expiry week. Now with the launch of weekly options, traders who historically enjoyed 12 monthly expiries on the last Thursday of each month can now enjoy 52 expiries a year. In the case of weekly options, the maturity ranges from one week to five weeks. Furthermore, weekly options have been providing an opportunity for arbitrage between options maturing in one week and those expiring in two weeks Even traders are seen doing arbitrage between weekly and monthly options.
Options have been a great way of mitigating risk and can help boost portfolio income. Retail traders, too, are also benefiting from the weekly options, as premiums are lower compared with those for monthly options. As premiums are low; weekly options are powerful enough to create profits quickly. They have become meaningful for traders to get more targeted exposure to market events, such as earnings reports and economic data releases. Moreover, premiums get adjusted to evolving envelopments quickly. Thus, they are helping market participants take advantage of market events more efficiently, thereby creating more opportunities to make profits and compound returns.

- **a)** Name the market participants who are active traders in weekly options **(2)**
- **b)** Difference between weekly expiry option and monthly expiry option? **(2)**
- **c)** What is option contract? **(2)**
- **d)** Explain the benefits of option contract. **(2)**
- **e)** What is option premium? **(2)**

**B.** If cost of 10gm gold in the spot market is Rs. 40,000/- and the locker rent for storing the gold is Rs.400 for six months, insurance Rs.200 and interest rate is 10% p.a. then what is the fair value of a 6 months futures contract? **(5)**

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