

Time : 2 ½ Hours

Marks : 75

N.B

1. All question are compulsory.
2. Make suitable assumptions wherever necessary and state the assumptions made.
3. Answer to the same question must be written together.
4. Numbers to the right indicate marks.

Q1) (A) Multiple Choices Question: (Any Eight)

(08)

1. An option seller is also known as _____.
(a) option copier (b) option holder (c) option creator (d) option writer
2. Using futures contracts to transfer price risk is called: _____.
(a) arbitrage (b) speculating (c) hedging (d) diversifying
3. The underlying asset for a derivative contract can be _____.
(a) Equity (b) Commodities (c) Interest Rate (d) Any of the above.
4. USD 1.67 = 1 Pound sterling is an _____ quote
a) American b) European c) Swap d) Forward
5. The indirect quote for 1 GBP = SGD 2.8272 – 82 is _____.
a) 0.3536 – 0.3575 b) 1.3536 – 1.3575 c) 0.0356 – 0.0357 d) 3.56 – 3.57
6. SGD / USD 0.7000 – 0.7010 is indirect quotation for _____.
a) Singapore b) US c) India d) Pakistan
7. The first exchange traded financial derivative in India commenced with the trading of _____.
(a) Index futures (b) Index Options (c) Stock futures (d) Interest rate swaps.
8. In Holgate Principle, if Bid > Ask, swap points for forward rates are to be _____.
a) Added b) Subtracted c) Multiplied d) Divided
9. India is facing continuous deficit in its balance of payments in the foreign exchange market rupee is expected to _____.
a) Appreciate b) Depreciate c) Show no specific tendency d) FEMA
10. Standard Forward Contracts have a maximum duration of _____ months
a) 3 b) 6 c) 9 d) 12

Q1. B. Answer whether the below statements are true or false (Any seven) (07)

- 1) A put option is in-the-money if the current market price of underlying asset is below its strike price.
- 2) An out-of-the-money option will always be exercised.
- 3) Time value of an option is zero at expiration.
- 4) A three-month stock options contract is also known as near month options contract.
- 5) Premium charged is the highest profit that an option writer can earn.
- 6) Inverse quote of INR / GBP is GBP / USD
- 7) 1 GBP = 102.34 INR is a direct quote for INR.
- 8) Foreign Exchange Markets are decentralized
- 9) LORO account means – 'their account with you'
- 10) If Goldman Sachs US Banks has an INR account with State Bank of India it is called VOSTRO account.

Q2) (A) Mr. X has a long position in a two-month futures contract for 4 lots (lot size is 30 shares) of Reliance Industries Ltd. at a price of Rs. 2,560/- per share. What will be his payoff if price per share on settlement date is (a) Rs.2,520/-, (b) Rs. 2,565 or (c) Rs. 2,640? (08)

Q2) (B) Classify the following Put Options as (i) In The Money, (ii) At The Money and (iii) Out of The Money and the corresponding option payoff per share (ignore the premium charged).

- Current market price Rs. 1,650
- Strike price (a) 1,630, (b) 1,640, (c) 1,650, (d) 1,660 and (e) 1,670 (07)

OR

Q2) (C) Who are the various participants in Derivative Markets? (08)

Q2) (D) Explain payoff for a Call option holder and a Put option holder. (07)

Q3) (A) Mr. X can buy an American call option on the shares of ABC Ltd. with following details on per share basis –

1. Spot price – Rs. 240
2. Strike price – Rs. 225
3. Option premium – Rs. 10

You are required to find out arbitrage opportunity and gain per lot, if any, if the lot size is 50 shares. Assume option is settled on delivery basis. (08)

Q3) (B) Explain the concept of Put-Call parity. (07)

OR

Q3) (C) USD/INR 82.5761 – 6311

Calculate Spread, MID rate, and % Spread. (08)

Q3) (D) Spot EUR/AUD 1.3932

3 months AFM = premium 1.75%

Calculate 3 months forward EUR/AUD rate.

If AUD interest rate = 3.25% p.a. calculate EUR interest rate.

(07)

Q4) (A) Identify names of respective countries where the following is an Indirect quote and find for each direct quote of that country

a) EUR1=INR 82.6877

b) 1 INR= AED 0.0608

c) 100 INR = USD 1.6622

(08)

Q4) (B) What is INR GBP rate?

GBP USD 1.6666/1.7777

USD INR 60.1111/60.2222

(07)

OR

Q4) (C) From the following RS. US \$ quotation, Calculate the outright forward quotes Explain whether it is at a premium or discount

Spot	1 month fwd	2 months	3 months
47.1110 /220	100/200	300/450	750/900

(08)

Q4) (D) What are the factors affecting the exchange rate

(07)

Q5) (A) Define Foreign exchange market. What are the principal characteristics of this market?

(08)

Q5) (B) Distinction between Direct and Indirect rates.

(07)

OR

Q5) (C) Short Notes (Any three).

(15)

1. Hedging
2. Efficient Market Hypothesis (EMH)
3. Various option strategies.
4. Exchange traded v/s OTC derivatives.
5. Risk and Exposure.
