April - 2018

TYBMS (W) / (14) / commodity & Derivatives Q.P. Code :20043

(102)

[Time: 2.5 Hours] [Marks:75]

Please check whether you have got the right question paper.

N.B:
1. All Question are compulsory.
2. Attempt any two questions out of three internal options A, B and C from Question 1 to 4.
3. Use of simple calculator is permitted.

Q.1 Attempt **Any Two** (7.5 marks each)

A. Who are the participants in commodity market? Briefly explain their role. 7.5

B. What are the factors that have contributed to the growth of Derivative Markets? 7.5

C. Distinguish between Forwards and Futures. 7.5

Q.2 Attempt **Any Two** (7.5 marks each)

A. Nandini wishes to buy a one year futures contract (each contract is equal to 100 shares) on shares of Axisis ltd. She therefore goes long on one year futures contract of Axisis ltd at price of Rs. 450 per share. If market price per share on date of settlement is any of the following: 410, 420, 430, 440, 450, 460, 470, 480, 490
then find the gain or loss on the Contract. Also draw the payoff diagram for the same. 7.5

B. Explain following terms: Convergence, Basis, Marked to Market 7.5

C. What is Imperfect Hedge? What are the reasons for Imperfect Hedge? 7.5

Q.3 Attempt **Any Two** (7.5 marks each)

A. A Bearish Investor Manu has sold call on a stock with an exercise price of Rs.3000 at a premium of Rs.250. Another investor Mina who is bullish on market has purchased this call option. If following turn out to be the Spot rates on a future date then find the Payoff for both the Buyer and seller of the Options Contract: 2000, 2250, 2500, 2750, 3000, 3250, 3500, 3750, 4000. 7.5

B. Explain following terms for an Options Contract: (a) Option Holder (b) Option Writer (c) American Option 7.5

C. Explain what is meant by intrinsic value or moneyness of an Options Contract? 7.5

Q.4 Attempt **Any Two** (7.5 marks each)

A. What are the types of Orders that can be placed by a buyer in commodity/stock market? 7.5

B. Explain the Margin system at NSCCL? 7.5

C. What is VaR? What are the methods of calculating VaR? 7.5

Q.5 A. Case Study:

NEW DELHI: Markets regulator SEBI issued a circular, allowing commodity derivatives exchanges to introduce options trading. This set the stage for introduction of commodity option contracts, a new instrument SEBI had cleared on April 27, 2017

SEBI said options trading will be allowed in agricultural products with an average daily turnover of Rs.200 crore.

NCDEX welcomed the SEBI announcement, detailing the guidelines for options contracts in commodities. "The launch of options contracts in commodities will boost overall market participation and complement the existing futures and make the commodities market more robust and efficient. A combination of futures & options can give market participants the benefit of price discovery of futures and allow simpler risk management through options." The exchange is conducting extensive education and awareness drive among market participants on options and will soon launch a product after seeking SEBI approval.

Commodities bourse MCX said it was ready to introduce options trading in commodity.

In reference to the case answer the following Questions:

1. What is the role of SEBI in Commodity Market? (2)
2. What is the Difference between Options and Futures Contract? (2)
3. What is NCDEX and MCX? (2)
4. As per the case the Option Trading will be permitted on what type of Commodities? (2)
5. As per the case what will be the impact of introduction of Options trade in the commodities markets? (2)

B. If the cost of 10 gm Gold in the spot market is 30000 and locker rent is Rs.1000 for 6 months, Insurance cost is Rs.500 and general lending interest rate is 9 p.a. then Calculate Fair Value for 6 months futures contract on 10 gm of Gold? (5)

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