

C.U. SHAH UNIVERSITY

Summer Examination-2019

Subject Name: Future, Option & Risk Management

Subject Code: 5MS04FOM1

Branch: MBA

Semester: 4

Date: 24/04/2019

Time: 02.30 To 05.30

Marks: 70

Instructions:

- (1) Use of Programmable calculator and any other electronic instrument is prohibited.
 - (2) Instructions written on main answer book are strictly to be obeyed.
 - (3) Draw neat diagrams and figures (if necessary) at right places.
 - (4) Assume suitable data if needed.
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SECTION – I

Q-1	Attempt the Following questions	(07)
	a. Give example of future contract.	01
	b. Define business risk.	01
	c. What is commodities?	01
	d. What is contract price?	01
	e. Give full form of OTC.	01
	f. State the participants in derivatives market.	01
	g. What is risk?	01
Q-2	Attempt all questions	(14)
	1 Explain the function of derivative market.	07
	2 Explain types of business risk.	07
OR		
Q-2	Attempt all questions	(14)
	1 Explain marking to market.	07
	2 Explain cash & carry contract.	07
Q-3	Attempt all questions	(14)
	1 Explain features of forwards.	07
	2 Write note: speculators.	07
OR		
Q-3	1 Discuss the features of future	07
	2 Write note: Margin & Margin call	07



SECTION – II

- Q-4 Attempt the Following questions (07)**
- a. Give full form of MCX. **1**
 - b. What is swap? **1**
 - c. What do you mean by hedge? **1**
 - d. Give full form of NCDEX. **1**
 - e. What is exchange rate? **1**
 - f. What is tick size? **1**
 - g. What is tender? **1**
- Q-5 Attempt all questions (14)**
- 1 Explain short hedge and long hedge. **07**
 - 2 An investor buys 5 future contract on gold at mcx of India. Each contract is for 100gm of gold. The price quotation is Rs 15550 per 10 gm. The tick size is Rs 1. Initial margin is set at 4%. While minimum margin is 90% of the initial margin.
Find out:
 - 1. What is minimum change in value of contract?
 - 2. What is the amount of initial margin the investor has to deposit with the exchange?
 - 3. At what price level the investor would get the margin call?
- OR**
- Q-5**
- 1 Explain participants in derivatives market. **07**
 - 2 Write note: short selling **07**
- Q-6 Attempt all questions (14)**
- 1 Write note: Convergence. **07**
 - 2 Give difference between future contract and forward contract. **07**
- OR**
- Q-6 Attempt all Questions**
- 1 Explain classification of derivatives. **07**
 - 2 Give difference between hedgers and speculators. **07**

