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FOURTH SEMESTER | **EMBA**

Supplementary ~~MAKE UP~~ **EXAMINATION** | **SEPT** *-2019*

EFM-07 Futures, Options and Risk Management

Time: 3:00 Hours | *Max. Marks: 60*

Note: Answer any *Five* questions. All carry equal marks. Assume suitable missing data, if any. Present Value tables and scientific Calculator allowed.

1) a) What is the difference between entering a long Forward contract when the forward price is Rs.50 and taking a long position in a call option with a strike price od Rs.50.

b) What are the difference s between Forward and Futures as a derivative Instrument?

2) Suppose that you write a put contract with a strike price of Rs.40 and an expiration date in three months. The current stock price is Rs.41 and the contract is on 100 shares. What have you committed yourself to? How much could you gain or lose? Also differentiate between a Call option and Put option?

3) What is the difference between the OTC traded derivatives and Exchange traded derivatives? Comment "Options and Futures are zero sum games".

4) What is the difference between the operation of margin accounts administered by a clearing house and those administered by a broker? What does a stop order to sell at Rs.20 mean? When might it be used? What does a limit order to sell at Rs.20 mean? When might this be used?

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5) What are the most important aspects of the design of a new futures Contract? Also differentiate between a Futures and a Forward Contract? "For an asset where Futures Prices are usually less than spot prices, long hedges are likely to be particularly attractive." Explain this statement.

6) Write short notes on any Four:

a) Convenience Yield

b) Basis Risk

c) Mark to Market

d) Bull spread

e) Bear spread

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