

**P.G. DIPLOMA IN FINANCIAL MARKETS  
PRACTICE**

**Term-End Examination**

**December, 2011**

**MFP-2 : EQUITY DERIVATIVES**

*Time : 3 hours*

*Maximum Marks : 100*

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*Note : Answer any five questions. All questions carry equal marks.*

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1. Describe the evolution of derivatives trading in India and enumerate the different categories of derivatives markets.
2. Explain future contracts, forwards and swaps and point out differences between them.
3. How is risk measured ? Explain the concept of value at risk giving suitable examples.
4. Describe the clearing and settlement mechanism with examples. What is cross margining ? Discuss.

5. What is intrinsic value and what factors drives this value ? When would you buy a money option and why ?
  6. Explain the terms long and short straddle, long and short butterfly and condor. What are option strategies for arbitrage ?
  7. How is volatility computed for short and long horizons ? What is standard deviation and probability of success ? Which option valuation models are popular ? Discuss.
  8. Describe the process of accounting of Options, Briefly explain the relevant accounting standards used for this purpose.
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