

**MANAGEMENT PROGRAMME/
POST GRADUATE DIPLOMA IN
FINANCIAL MARKETS PRACTICE**

Term-End Examination

December, 2021

MFP-002 : EQUITY DERIVATIVES

Time : 3 hours

Maximum Marks : 100

Weightage : 70%

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

1. What are the different segments of 'Derivative Markets'? Describe the various types of 'Derivatives' and discuss the use of derivatives by the various derivative users.
2. Explain the selection criteria used for inclusion of equity shares and indices to the derivative segment. Describe the positional limits prescribed at various levels for risk management.
3. What are Index and Stock Futures ? Describe the 'pay off' for equity futures and explain the outcome of imperfect hedging. Discuss the significance of 'Open Interest' and explain how changes in volume and open interest are interpreted in futures market.

4. What do you understand by Hedging, Speculation and Arbitrage ? How can index and stock futures be used for hedging ?

 5. What are the factors that determine Call and Put Option Pricing ? Explain in brief the Binomial Model used for option valuation.

 6. Explain the Option strategies that can be used for speculation. For each strategy create a payoff diagram.

 7. What are 'Option Greeks' ? Describe Delta and discuss how it is interpreted. Explain the Delta of various strikes of Calls and Puts.

 8. What do you understand by Clearing and Settlement Mechanism ? Describe the clearing and settlement mechanism of option contracts on index and individual securities.
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