

**POST GRADUATE DIPLOMA IN FINANCIAL
MARKETS PRACTICE**

Term-End Examination

June, 2012

MFP-2 : EQUITY DERIVATIVES

Time : 3 hours

Maximum Marks : 100

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

1. What are derivatives ? Discuss the different segments of Derivative Markets and elaborate the need for derivative markets.
2. What are Future Contracts ? How are the futures different from forwards ?
3. What is risk management ? Explain the various strategies of risk management.
4. What is Hedging ? Explain how is hedging done using Equity Futures and Index Futures ?
5. How is Future price adjusted when a company announces dividends and stock splits ? Explain.

6. Why do exchanges provide several strikes for trading in options ? When would you buy At The Money (ATM), In The Money (ITM) and Out of The Money (OTM) strikes ?

 7. What is Delta ? Explain the application of Delta for hedging purpose.

 8. What are option contracts ? Discuss the settlement mechanism of option contracts.
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