

**POST GRADUATE DIPLOMA IN FINANCIAL
MARKETS PRACTICE**

Term-End Examination

June, 2013

MFP-2 : EQUITY DERIVATIVES

Time : 3 hours

Maximum Marks : 100

*Note : (i) Attempt **any five** questions.*

*(ii) All questions carry **equal** marks.*

1. What are 'Derivatives' ? What is the need for Derivatives Markets ? Explain the different segments of these markets.
2. What is 'Arbitrage' ? How can an investor make profits from Arbitrage activity ? Explain the concepts of 'Cash and carry Arbitrage' and 'Reverse cash and carry Arbitrage' with suitable examples.
3. What is 'Hedging' ? Explain the different types of Hedges and discuss how is hedging done using Equity Futures and Equity Index Futures.
4. "Total value of an option comprises of its intrinsic value and time value". Discuss this statement and explain what drives the intrinsic value and the time value.

5. Discuss the factors that affect the call option price and show their impact on such price.
 6. Write notes on the following :
 - (a) Delta
 - (b) Gamma
 7. Explain the settlement mechanism of future contracts and option contracts.
 8. Discuss with examples how is stock price calculated when :
 - (a) dividend is paid,
 - (b) Bonus issue is made and
 - (c) after the Rights issue.
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