

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

Term-End Examination

June, 2016

MFP-2 : EQUITY DERIVATIVES

Time : 3 hours

Maximum Marks : 100

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- Note :** (i) *All questions carry equal marks.*
(ii) *Attempt any five questions.*
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1. What are 'Swaps'? Explain their main characteristics. Discuss the Plain Vanilla Interest Rate Swaps with the help of a suitable example.
2. Write short notes on the following :
 - (a) Contango
 - (b) Backwardation
 - (c) Cash and Carry Arbitrage
 - (d) Reverse Cash and Carry Arbitrage.
3. What do you mean by 'Call option' and 'Put option' ? Discuss the different forms of settlement of these options with the help of suitable examples.
4. What is a 'Bonus Issue' ? How is Stock Price calculated when a bonus issue takes place ? Discuss the adjustments for derivative contracts when a company announced bonus issue.

5. What do you mean by 'ATM', 'ITM' and 'OTM' options ? Explain, with suitable examples, which one of these option strikes would you like and why.
 6. Briefly explain the following option strategies for speculation :
 - (a) Bull spread using calls
 - (b) Bull spread using puts
 - (c) Long Butterfly
 - (d) Short Butterfly
 7. "Derivative markets create their own specialised market indicators which serve to help traders to understand how market players are behaving." Discuss this statement bringing out the basic market indicators.
 8. Discuss how is accounting of Futures done as per Indian Accounting System and the International Accounting. Give examples.
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