

**PG DIPLOMA IN FINANCIAL MARKETS  
PRACTICE**

00895

**Term-End Examination  
December, 2010**

**MFP-2 : EQUITY DERIVATIVES**

• *Time : 3 hours*

*Maximum Marks : 100*

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

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1. What is a 'Future contract' ? Explain different types of settlements. Who are players in the futures market.
2. What is the need for risk management in the trading of Securities? Describe the trading strategies that can be used to avoid this risk.
3. Explain the intrinsic and time value concept of equity options. What drives intrinsic value and time value? Discuss.
4. Explain what is meant by margins on futures, mark to market margins on futures and margins on options.

5. What do you understand by Stock futures and Index futures? Differentiate between the features of these products.
  6. Differentiate between stock split and rights issue. How is stock price calculated after a rights issue takes place ? Explain with suitable example.
  7. Explain the clearing and settlement mechanism in the Future and Options segments. Who are the participants in this process? Briefly explain.
  8. Write short notes on :-
    - (a) Bulls Spread using Calls
    - (b) Bear Spread using puts
    - (c) Long strangle
    - (d) Short Butterfly
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