



### **Part B**

Answer any *eight* questions. Each question carries 2 marks.

11. What are OTC Derivatives?
12. What is short hedging?
13. What is Basis?
14. What do you mean by cost of carry?
15. Write a note on intrinsic value and time value.
16. What are stock index options?
17. What do you mean by exercise or strike price?
18. What is an interest rate swap?
19. What is open interest? How is it calculated?
20. Write a note on Margin system in futures.

**(8 × 2 = 16 Marks)**

### **Part C**

Answer any *six* questions. Each question carries 4 marks.

21. Explain the economic functions performed by a derivative market.
22. Differentiate forward contract and futures contract.
23. Who are the major players in the derivative market?
24. Define Currency futures. Discuss the hedging with currency futures.
25. Define interest rate futures. What are the applications of interest rate futures?
26. Distinguish between financial futures and commodity futures.
27. Explain the put option with example.
28. Explain the mechanism of currency swap with example.

**(6 × 4 = 24 Marks)**

### **Part D**

Answer any *two* questions. Each question carries 15 marks.

29. Explain the regulatory framework of derivatives trading in India.
30. What are Stock Index futures? Discuss the hedging with Stock Index futures.
31. Explain the fundamental option strategies with suitable examples.

**(2 × 15 = 30 Marks)**

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