NISM National Institute of Securities Market

MoneyMakers Institute of Financial Markets

Equity Derivatives Examination Series VIII

Q1. The Option price is the ___________.

a) price paid by the seller of option to the buyer of option

b) price paid by the buyer of option to the seller of option

c) the intrinsic value of the option

d) All of the above

Q2. An investor is bearish about Yes Bank and sells ten one-month Yes Bank futures contracts at Rs.3,03,000. On the last Thursday of the month, Yes Bank closes at Rs.300. He makes a _______ . (assume one lot = 100)

a) Profit of Rs.3000

b) Loss of Rs.3000

c) Profit of Rs.300

d) Loss of Rs.300

Q3. An investor owns one thousand shares of Reliance. Around budget time, he gets uncomfortable with the price movements. One contract on Reliance is equivalent to 100 shares. Which of the following will give him the hedge he desires?

a) Buy 5 Reliance futures contracts

b) Buy 10 Reliance futures contracts

c) Sell 5 Reliance futures contracts

d) Sell 10 Reliance futures contracts

Q4. A trader has bought 100 shares of XYZ at Rs.780 per share. He expects the price to go up up but wants to protect himself if the price falls. He does not want to lose more than Rs.1000 on this long position in XYZ. What should the trader do?

a) Place a stop loss sell order for 100 shares of XYZ at Rs.770 per share

b) Place a limit buy order for 100 shares of XYZ at Rs.770 per share

c) Place a stop loss buy order for 100 shares of XYZ at Rs.790 per share

d) Place a limit sell order for 100 shares of XYZ at Rs.770 per share

Q5. The initial margin amount is large enough to cover a one-day loss that can be encountered on _____% of the days.

a) 100

b) 99

c) 95

d) 90

Q6. On expiry, the settlement price of an index futures contract is

a) opening price of futures contract

b) closing index value

c) closing price of futures contract

d) opening index value

Q7. Client KKK has purchased 10 contracts of December series and sold 7 contracts of January series of the NSE Nifty futures. How many lots will get categorized as regular (non-spread) open positions?

a) 3

b) 5

c) 11

d) 15

Q8. The trading member / FII / mutual fund position limits in equity index futures contracts is higher of Rs._____ Crores or 15% of the total open interest in the market in equity index futures contracts.

a) 200

b) 500

c) 700

d) 1000

Q9. ____________ means the total number of equity futures contracts that have not been offset and closed by an opposite position.

a) Open Position

b) Closed Position

c) Arbitrage Position

d) Squared off Position

Q10. Index options on the S&P CNX Nifty can be exercised ___________

a) any time upto maturity

b) on a date pre-specified by the trading member

c) upon maturity

d) any time on or before maturity

Q11. In which option is the strike price not better than the market price (i.e., price difference is not advantageous to the option holder) and therefore it will lead to losses if the option is exercised ?

a) In The Money
b) Out of the Money
c) Deep In the Money
d) All of the above

Q12. The value of a put option ____________ with an increase in spot price.
a) increases
b) decreases
c) remains constant
d) either increases or decreases

Q13. Which of the following are derivatives?
a) Options
b) Forwards
c) Futures
d) All of the above

Q14. The maximum profit for a seller of options contract is -
a) determined by the derivative exchange
b) depends on the strike price
c) Premium received
d) Unlimited

Q15. If you are an exporter what would you do to safeguard against dollar rate fluctuations ?
a) Buy Dollars
b) Sell Dollars
c) Sell Euro as its a stronger currency
d) None of the above

Q16. For calculation of minimum net worth of members of derivative exchange, the non allowable assets include -
a) members card
b) pledged securities
c) doubtful debts and advances
d) all of the above

Q17. You have sold a PUT option of strike price 100 for a premium of Rs 12. Theoretically what can be your maximum loss ?
a) Unlimited

b) Rs 112

c) Rs 88

d) Rs 12

Q18. Which price is closest to the 3rd month future price of share if the spot price is Rs 326 and the interest rate is 12% pa.

a) 326

b) 335.80

c) 354.80

d) 362.10

Q19. Who can clear trades in index options?

a) All AMFI and IRDA members

b) Members of a stock exchange

c) Members and sub brokers of the stock exchange

d) Clearing members registered in the derivatives segment.

Q20. **If one makes does a calendar spread contract in index futures, then it attracts_________

a) Lower margin than sum of two independent legs of futures contract

b) No margin need to be paid for calendar spread positions

c) Higher margin than sum of two independent legs of futures contract

d) Same margin as sum of two independent legs of futures contract

Q21. You sold one Zee Ent Ltd. futures contract at Rs.260 and the lot size is 1,000. What is your profit or loss, if you purchase the contract back at Rs.251 ?

a) 9000

b) -9000

c) 7500

d) -7500

Q22. Options which are traded on a recognised exchange ie. Exchange traded options are________

a)usually in-the-money options

b) usually out-of-the money options

c) Standardized options

d) Customized options

Q23. An in-the-money option is a option with _______

a) a negative intrinsic value

b) a positive intrinsic value

c) either negative or positive intrinsic value

d) zero time value

Q24. Impact cost is low when the liquidity in the system is poor - True or False ?

a) True

b) False

Q25. If you have sold a ITC futures contract (contract multiplier 500) at 300 and bought it back at 328, what is your gain / loss?

a) A gain of RS. 6,800

b) A loss of Rs. 6,800

c) A loss of Rs. 14,000

d) A gain of Rs. 14,000

Q26. Value-at-risk provides for ___________ .

a) Theoretical value of illiquid stocks in a portfolio

b) Value of securities which are very risky

c) Expected maximum loss, which may be incurred by a portfolio over a given period of Time and specified confidence level

d) Value of speculative stocks

Q27. Who monitors the collection of Initial margin ?

a) The Stock Exchange

b) The Clearing Corporation

c) NSDL or CDSL

d) SEBI

Q28. If you are a buyer of put option, it will give you the right to sell how much of the underlying to the writer of the option?

a) The specified quantity or less than the specified quantity

b) The specified quantity or more than the specified quantity

c) Only the specified quantity (lot size of the option contract)

d) Any quantity

Q29. In the Option segment, if you sell a CALL at a premium of Rs 45 at the Strike Price of Rs 400, lot is of 200 shares, then the maximum possible Profit is ______

a) Rs 9000

b) Rs 18000

c) Rs 80000

d) Unlimited

Q30. The settlement in futures contract happen only in __________ .

a) Cash

b) Physical Delivery

c) Cash or Delivery as per the choice of buyer

d) None of the above

Answers

1	**b**	**15**	**d**
2	**a**	**16**	**c**
3	**c**	**17**	**b**
4	**a**	**18**	**d**
5	**b**	**19**	**a**
6	**b**	**20**	**a**
7	**a**	**21**	**c**
8	**b**	**22**	**b**
9	**a**	**23**	**b**
10	**c**	**24**	**c**
11	**b**	**25**	**c**
12	**b**	**26**	**b**
13	**d**	**27**	**c**
14	**c**	**28**	**a**
15	**b**	**29**	**a**