POST GRADUATE DIPLOMA IN FINANCIAL MARKETS PRACTICE

Term-End Examination
June, 2012

MFP-2 : EQUITY DERIVATIVES

Time : 3 hours  Maximum Marks : 100

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

1. What are derivatives? Discuss the different segments of Derivative Markets and elaborate the need for derivative markets.

2. What are Future Contracts? How are the futures different from forwards?

3. What is risk management? Explain the various strategies of risk management.

4. What is Hedging? Explain how is hedging done using Equity Futures and Index Futures?

5. How is Future price adjusted when a company announces dividends and stock splits? Explain.
6. Why do exchanges provide several strikes for trading in options? When would you buy At The Money (ATM), In The Money (ITM) and Out of The Money (OTM) strikes?

7. What is Delta? Explain the application of Delta for hedging purpose.

8. What are option contracts? Discuss the settlement mechanism of option contracts.