F (XXX) ABB ugh which credit default swap can be

settled. >

7102 Differentiate the selling a call option and buying a call option and buying a cut option. Illu**gruod 6** : **amiT**

Explain briefly07: shaM IluF re Market Trading

Candidates are required to give their answers in

their own words as far as practicable.

The questions are of equal value.

Answer any five questions.

1. "Derivatives are effective risk management tools". Comment on the statement.

2. What are Derivatives ? Explain, in detail, the

various participants in derivatives market.

Define Option. "Option contracts are relatively more safe derivative instruments".
Explain how ?

XV - 31/1

Development of the second of the following

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stoemotion existing derivative material

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(b) Foreign Currency Swap

(d) Credit derivatives

· (a) Warrants

(c) Convertibles

(Turn over)

- What do you mean by Swap ? Explain the two ways through which credit default swap can be settled.
- 5. Differentiate the selling a call option and buying a put option. Illustrate your answer.
- Explain briefly about the Future Market Trading Mechanism.
- 7. Explain Binomial Option Pricing Models. What are the variables needed in this model to calculate the option price ?
- Stock Index Future as the powerful tool or risk management used by mutual funds, pension fund and investment companies." Discuss.
- 9. What are the difference between Credit risk and Market risk ? Is it possible to hedge credit risk ?

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(2)

Explain how ?

Contd.

10. Write short notes on any two of the following :

- (a) Warrants
- (b) Foreign Currency Swap
- (c) Convertibles
- (d) Credit derivatives

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