Sample: Model test

1) The price that is agreed upon at the date of the contract for the delivery of an asset at a specific futures date is called ________ .

a. Spot Price

b. Discount Price

c. Cash market price

d. Futures Price

Answer: d

2) The price of an option expiring three months from today will be higher than price of an option expiring in two months from today.

a. Incomplete data

b. Depends if it is call or put option

c. TRUE

d. FALSE

Answer: C

3) Nifty futures is trading at Rs. 3975 and an investor buys a 4000 call for current month for Rs. 100. What should be the closing price of Nifty only above which the investor starts to make Profits if he holds his long option position? 1 lot of Nifty = 50 shares.

a. 3975

b. 4000

c. 4075

d. 4100

Answer: d

4) Nifty is at 5000. An investor buys a 5000 strike price put option for Rs. 170. The option is currently ___ .

a. Out of the money 74 Non-Confidential

b. American Type

c. At the money

d. In the money

Answer: c

5) Nifty futures are trading at Rs. 4955. An investor feels the market will not go beyond 5100. He can_____.

a. Sell 5000 Nifty call

b. Sell 5100 Nifty put

c. Sell 5000 Nifty put

d. Sell 5100 Nifty Call

Answer: d

6) Arbitrage is a _____

a. Risk free Strategy

b. High Risk Strategy

Answer: a

7) If an option is out of the money and the strike price of the option is lower than the spot price of the underlying, then we are referring to __

a. A Put Option

b. An European Option

c. A Call option

d. An American option

Answer: a

8) The parties for the Futures contract have the flexibility of closing out the contract prior to the maturity by squaring off the transactions in the market. State true or false.

a. TRUE

b. FALSE

Answer: a

9) Nifty is at 3375. What should be the fair price of Nifty futures expiring 30 days from today. Risk free rate is 8% p.a.

a. 3367

b. 3377

c. 3398

d. 3352

Answer: c

10) Derivatives help in _____ .

a. Risk Management

b. Price Discovery of the underlying

c. Improving Market Efficiency

d. All of the above

Answer: d

11) When the strike price is lower than the spot price of the underlying, a call option will be

a. At the money

b. In the money

c. Out of the money

d. American Type

Answer: b

12) An investor buys TCS for Rs. 575 in the futures market. At the end of the day TCS futures closes at Rs. 500 in the futures market. What is the mark to market the investor is making/ losing? (1 lot of TCS = 1000 shares)

a. Rs. 500000

b. Rs. 575000

c. Rs. -75000

d. Rs. 75000

Answer: c

13) When the strike price is lower than the spot price of the underlying, a call option will be

a. At the money

b. In the money

c. Out of the money

d. American Type

Answer: b

14) As more and more trades take place, the difference between spot and futures prices would narrow.

a. hedge

b. delta

c. arbitrage

d.speculative

Answer: c

15) Which of the following is an exchange traded contract?

a. Futures on Nifty

b. Forward contract on oil

c. An interest rate swap

d. A 10 year loan

Answer : a

16) An investor is long 2 contracts of Nifty futures purchased at Rs. 5035 each. The next morning a scam is disclosed of a large company because of which markets sell off and Nifty futures goes down to Rs. 4855. What is the mark to market for the investor? (1 Nifty contract is 50 shares).

a. Rs. -18000

b. Rs. 18000

c. Rs. -9000

d. Rs. 9000

Answer: A

17) An investor buys a 4 lots of TATASTEEL futures at Rs. 545 each and sells it at Rs. 447 each. If one contract is 764 shares what is the Profit/ Loss in the transaction?

a. Profit Rs. 74872

b. Loss 74872

c. Loss Rs. 299488

d. Profit Rs. 299488

Answer: C

18) An investor sells 3 lots of Nifty futures at Rs. 5231 each. On that day Nifty closes at Rs. 5310 in the futures market. What is the mark to market for the investor if any? One lot of Nifty is 50 shares

a. Profit of Rs. 11000

b. Loss of Rs. 11850

c. Loss of Rs. 10000

d. Profit of Rs. 13000

Answer: B

19) An investor bought a put option on a stock with a strike price Rs. 2000 for Rs. 200. The option will be in the money when

a. The stock price is less than Rs. 2000

b. The stock price is greater than Rs. 2200

c. The stock price is greater than Rs. 2000

d. The stock price is less than Rs. 1800

Answer: A

20) An investor has Unitech shares in her portfolio. RBI is increasing interest rates which is negative for the stock. She wants to protect the downside in the stock as she feels RBI will decide on increasing interest rates in the next 3 months. What should she do?

a. Buy 3 month call option of Unitech

b. Buy 2 month put option of Unitech

c. Buy 1 month put option of Unitech

d. Buy 3 month put option of Unitech

Answer: D