



Institute : (0211) Symbiosis Institute of Business Management - Hyderabad
Program : (021141) Master of Business Administration
Batch : 2020-22 Semester : III
Course Name : Derivative Markets (0211410306)
Date : 19.11.2021 Max Marks : 60
Day : Friday Time : 10.00 am - 12.30 pm

Instructions : 1. All Questions are compulsory
2. Calculators are allowed

1. The following extract has been sourced from Pooja Chowdary's contract note dated 09/08/2021. If she doesn't have any position in ITC except the following position, what would be the payoff of the given strategy (Maximum Profit, Maximum Loss, BEP, Profit Zone and Loss Zone)?

You need to imagine that she is a long term investor and sells the entire holding of a scrip if it is underpriced. In the case of ITC, she holds 3200 shares of ITC and believes that the stock is significantly overpriced if it trades at Rs.240. Will the given option strategy be a boon or bane for her? You need to explain it in detail by comparing the outcome with another investor with the same investment philosophy but without any position in stock options. (CO 4)

(6 + 12 = 18 Marks)

1300000013743532	10:03:08	375239552	10:03:08	OPTSTK ITC Aug 26 2021 240.00 CE (BT)	SELL	3200	0.6000
(NET TOTAL)							-3200

2. An arbitrageur, Mr. Tarun Monga holds 3000 shares of Reliance Capital. On 16th August 2019, he has executed the following orders. He has enough margin required for the given positions (in terms of stocks and government bonds). The risk free rate of return for THE PERIOD Aug 29 to Sep 26 after considering the settlement dates (in case of cash market) will be 0.28%. The total transaction cost as on 26th September is expected to be Rs.303.38. You may assume that total amount of transaction cost will be paid on 26th September.

Find out the total amount of profit as on 26th September 2019 and also Mention the process in detail of how the arbitrageur enjoys the profit if the exchange follows physical settlement.

Is there any change in the process in case of cash settlement and does it impact the transaction cost? If yes, how does it impact?

NSE - FUTURES - REF. NO: 1272029								
1700000000489551	09:26:47	93772119	09:26:47	FUTSTK RELCAPITAL Aug 29 2019 (BT)	Sell	3000	49.4500	0.0100
(NET TOTAL)						3000		
1700000000504586	09:27:13	93772938	09:27:13	FUTSTK RELCAPITAL Sep 26 2019 (BT)	Buy	3000	46.6000	0.0100
(NET TOTAL)						3000		

Note:- You can assume that he is required to set aside Rs.40000 to manage daily MtoM settlement. You may also assume that the said amount is required to be maintained during 29th August to 26th September (CO 1, CO 2 and CO 3)

(5 + 10 + 3 = 18 Marks)

3. Ms. Sundari Ramya presents the extract of her trade book dated 26/10/2021. You need to mention the name of the given option strategy and you need to find out the payoff of the given strategy (Maximum Profit, Minimum Profit, Maximum Loss, BEP, Profit Zone and Loss Zone). Do you find anything peculiar in case of the given transactions? If yes, mention it in detail. (CO 2, CO 4)

Trading Symbol	B/S	Exchange	Expiry	Order Entry Time	Option Type	Strike Price	Quantity	Price	Exch Order No
BANKNIFTY280...	SELL	NSEFO	28/10/2021	26Oct2021 13:45:24	PE	33600.00	50	3.55	160000010745...
BANKNIFTY280...	BUY	NSEFO	28/10/2021	26Oct2021 13:45:18	PE	34500.00	50	3.10	160000010741...

(8 + 7 = 15 Marks)

4. On 28/11/2011, Pulipaka Harshitha executes the following position in the USDINR futures contract. Using the given transaction, you need to narrate a story A) if Harshitha is a speculator and B) if she is a hedger. Is there any change in the process in case if it is a forward contract?

You need to explain the process in detail. (CO 1 and CO 5)

ORDER NO	ORDER TIME	TRADE NO	TRD TIME	SCRIPNAME	PUR QTY	SALE QTY	RATE	TOTAL
141133200039745	10:22:56	21487	10:22AM	FUTCUR USDINR Jan 27 2012		1	52.5125	52512.50
Sub Total							1	52512.50
Net Total							1	52512.50

(4 + 4 + 1 = 9 Marks)

All The Best