VPM's
Dr. VN BRIMS, Thane
Programme: MMS (2014-16) (Finance)
Third Semester Examination October 2015

Subject	**Commodities Markets**		
Roll No.		**Marks**	**30 Marks**
Total No. of Questions	**5**	**Duration**	**2 Hours**
Total No. of printed pages	**1**	**Date**	**30.10.2015**

Section- I

Note: Q1 is compulsory and solve any TWO from the remaining FOUR questions.

Q1) 10 Marks (Compulsory)

What are the main objectives and functions of commodity derivatives market?

Attempt any TWO from the remaining FOUR Questions

Q2) ***Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks***

a) What are the basic assumptions of the Cost of Carry Model of forward pricing in perfect market conditions?
b) Explain and illustrate commodity futures based Short hedge strategy.
c) Explain the following terms with reference to commodity futures
  i. Basis
  ii. Spread

Q3) ***Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks***

a) A trader wants to take buy position in 2 contracts of 1 month gold futures which trades at Rs.25000 per 10 gms.. Each contract is for 1 kg. Historical annualized volatility is 12%. Number of trading days in a year is 300. Based on the above information, calculate VaR for 95% one day trading horizon
b) Explain profit and loss accruing to a seller of commodity futures contract with an example.
c) Explain the following types of orders with reference to commodity futures
  i. Limit order
  ii. Market order

Q4) ***Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks***

a) Explain profit and loss accruing to a buyer of a call option with an example.
b) What are the differences between a forward contract and futures contract?
c) Explain and illustrate commodity futures based Cash and carry arbitrage strategy.

Q5) ***Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks***

a) Explain the following terms with reference to commodity futures contract
  i. Tick size
  ii. Maximum order size
b) Write a short note on development and growth of commodity derivatives market in India.
c) Explain the differences between hedgers and speculators in a commodity derivatives

market