PUNE VIDYARTHI GRIHA'S
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T.Y.BMS- Unit Test

Subject –Commodity and Derivative Market **Date:**

1. The process of protecting oneself against future price changes by shifting some or all of the risk to someone else is called.
   (a) Speculating
   (b) Investing
   (c) Hedging
   (d) Gambling

2. People who bet on price changes in the hope of making a profit are called
   (a) Speculators
   (b) Hedgers
   (c) Investors
   (d) Gamblers

3. Borrowing a security and selling it with the hope of buying it back later at a cheaper price is called.
   (a) Leveraging
   (b) short-selling
   (c) investing
   (d) gambling

4. What is called the amount of cash put up by an investor, which is a fraction of the value the asset?
   (a) Short position
   (b) Long position
   (c) Margin
   (d) Fractional reserve

5. An agreement to accept or make delivery of an asset on a particular future date at a price struck today is called a
   (a) Margin
   (b) futures contract
   (c) spot contract
   (d) cash contract

6. The exclusive marketplace in Canada for derivatives trading is a
   (a) Vancouver Stock Exchange
   (b) Toronto Stock Exchange
   (c) Montreal Stock Exchange
   (d) Alberta Stock Exchange

7. Which of the following is not common to both forward contracts and futures contracts?
   (a) Both deal in durable goods
   (b) Both are used for hedging
   (c) Both require estimates of the future by participants
   (d) Both have the buyer taking future delivery of the assets in question

8. An individual who expects that prices for some asset will rise is said to take
   (a) long position
   (b) short position
   (c) 'worst case scenario'
   (d) the current spot position

9. The method whereby an investor assumes that futures and their spot prices move together and then considers how to hedge depending on whether spot prices will move up or down in the future is called
   (a) long position
   (b) short position
   (c) 'worst case scenario'
   (d) the current spot position

10. The differential between the spot price and the futures price is known as
   (a) the spread
   (b) the basis
   (c) the differential rate
   (d) the Gap

11. Which of the following exchanges does not trade in derivatives?
   (a) New York Stock Exchange
   (b) Chicago Mercantile Exchange
   (c) Eurex
   (d) Montreal Exchange

12. The right but not the obligation to buy an asset at a particular price during a stipulated period is called a
   (a) Call option
   (b) Put option
   (c) Strike price
   (d) Long option

13. The right but not the obligation to sell an asset at a particular price during a stipulated period is Called as
   (a) Call option
   (b) Put option
   (c) Strike option
   (d) Long option

14. When an asset is selling at a strike price below its market price, it is said to be
   (a) in a long position
   (b) selling at its exercise price
   (c) in the money
   (d) out of the money

15. The basis is defined as:
   (a) futures price minus forward price
   (b) spot price minus forward price
   (c) futures price minus spot price
   (d) spot price minus futures price

16. The basis must equal _____ at the delivery date for the futures contract.
   (a) the fixed futures price
   (b) zero

(c) the spot price of the contract

(d) a positive value

17. To minimize default risk, futures exchanges require all contracts to be:
    (a) traded by open outcry
    (b) mark to market
    (c) settled in cash
    (d) delivered on time

18. The financial institution that guarantees both sides of a future trade is called the:
    (a) futures exchange
    (b) futures commission merchant
    (c) SEC
    (d) clearinghouse

19. ……. risk is a loss may occur from the failure of another party to perform according to The terms of a contract?
    (a) Credit
    (b) Currency
    (c) Market
    (d) Liquidity

20. Financial derivatives include?
    (a) Stock
    (b) Bonds
    (c) Future
    (d) Pull

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