

# Unit 8 - Week 6

**Course outline**

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## Assignment 6

The due date for submitting this assignment has passed. **Due on 2020-03-11, 23:59 IST.**  
 As per our records you have not submitted this assignment.

- 1) Which of the following is not true about forwards agreements? 1 point
- a. They require no initial investments
  - b. They are standardized
  - c. Settlement takes place on a specific date in the future at today's pre-agreed price
  - d. There may be credit risk involved
- a  
 b  
 c  
 d
- No, the answer is incorrect.  
 Score: 0  
 Accepted Answers: b
- 2) An interest rate floor is a series of interest rate put options by which the writer guarantees the buyer (i.e. the bank) that the writer will pay to the bank an amount that increases as the level of interest rates rises 1 point
- a. True
  - b. False
- a  
 b
- No, the answer is incorrect.  
 Score: 0  
 Accepted Answers: b
- 3) Which of the following is represented by the figure below? 1 point
- 
- a. Profit from a Long Forward Position
  - b. Profit from a Short Forward Position
  - c. Profit from a Short Call Position
  - d. Profit from a Long Call Position
- a  
 b  
 c  
 d
- No, the answer is incorrect.  
 Score: 0  
 Accepted Answers: b
- 4) \_\_\_\_\_ guards against losses in value of a credit asset or helps offset higher borrowing costs due to changes in credit ratings of the borrower 1 point
- a. Credit Swaps
  - b. Credit Options
  - c. Credit Default Swaps
  - d. Credit Linked Notes
- a  
 b  
 c  
 d
- No, the answer is incorrect.  
 Score: 0  
 Accepted Answers: b
- 5) Which of the following is potentially obligated to buy an asset at a predetermined price? 1 point
- a. A call buyer
  - b. A call writer
  - c. A put buyer
  - d. A put writer
- a  
 b  
 c  
 d
- No, the answer is incorrect.  
 Score: 0  
 Accepted Answers: d
- 6) Derivatives can change the nature of liabilities 1 point
- a. True
  - b. False
- a  
 b
- No, the answer is incorrect.  
 Score: 0  
 Accepted Answers: a
- 7) Which of the following statement(s) is/are true about securitization? 1 point
- |               |  |
|---------------|--|
| Statement I   | It raises new funds  |
| Statement II  | It reduces risk exposure   |
| Statement III | It uses the securities market to fund a portion of a lender's loan portfolio |
- a. Only I and II
  - b. Only I and III
  - c. Only II and III
  - d. All: I, II and III
- a  
 b  
 c  
 d
- No, the answer is incorrect.  
 Score: 0  
 Accepted Answers: d
- 8) In terms of loan sales, in \_\_\_\_\_ loan sales, the purchaser is an outsider to the loan between lender and borrower 1 point
- a. Assignments
  - b. Loan Strips
  - c. Participation
  - d. Commercial
- a  
 b  
 c  
 d
- No, the answer is incorrect.  
 Score: 0  
 Accepted Answers: c
- 9) \_\_\_\_\_ entail swapping both principal and interest between the parties, with the cash flows in one direction being in a different currency than those in the opposite direction 1 point
- a. Interest rate swap
  - b. Currency swap
  - c. Total swap
  - d. Principal Swap
- a  
 b  
 c  
 d
- No, the answer is incorrect.  
 Score: 0  
 Accepted Answers: b
- 10) In an inverted market, futures price is \_\_\_\_\_ spot prices. 1 point
- a. Greater than
  - b. Lesser than
  - c. Equal to
  - d. Not enough information available
- a  
 b  
 c  
 d
- No, the answer is incorrect.  
 Score: 0  
 Accepted Answers: b
- 11) An option that has a stock price greater than the exercise price is said to be: 1 point
- a. In-the-money call option
  - b. In-the-money put option
  - c. At-the-money call option
  - d. At-the-money put option
- a  
 b  
 c  
 d
- No, the answer is incorrect.  
 Score: 0  
 Accepted Answers: a
- 12) A short position in futures contract will stand to gain when futures prices fall and lose when futures prices rise. 1 point
- a. True
  - b. False
- a  
 b
- No, the answer is incorrect.  
 Score: 0  
 Accepted Answers: a
- 13) An European option can be exercised at any time during its life 1 point
- a. True
  - b. False
- a  
 b
- No, the answer is incorrect.  
 Score: 0  
 Accepted Answers: b
- 14) From the following data pertaining to call option determine the intrinsic value. 1 point
- | Stock Price | Exercise Price | Call Option Price |
|-------------|----------------|-------------------|
| \$3.50      | \$0            | 6.75              |
- a. \$3.25
  - b. -\$3.25
  - c. \$3.5
  - d. \$6.75
- a  
 b  
 c  
 d
- No, the answer is incorrect.  
 Score: 0  
 Accepted Answers: c
- 15) A short futures hedge is appropriate when you know you will purchase an asset in the future and want to lock in the price 1 point
- a. True
  - b. False
- a  
 b
- No, the answer is incorrect.  
 Score: 0  
 Accepted Answers: b
- 16) With reference to the figure below, which of the following statement(s) is/are true? 1 point
- 
- a. The strike price is at less than \$70
  - b. Figure is of a long put option
  - c. Figure is of a short put option
  - d. Figure is of a long call option
- a  
 b  
 c  
 d
- No, the answer is incorrect.  
 Score: 0  
 Accepted Answers: b
- 17) An option contract gives the holder the obligation to buy or sell at a certain price 1 point
- a. True
  - b. False
- a  
 b
- No, the answer is incorrect.  
 Score: 0  
 Accepted Answers: b
- 18) A bank wishes to use 3-month futures to hedge a \$50 million positive dollar gap over the next 6 months. (Assume the correlation coefficient of cash and futures positions as interest rates change is 1.0). Number of contracts to be bought is \_\_\_\_\_ 1 point
- a. 25 futures contracts
  - b. 96 futures contracts
  - c. 100 futures contracts
  - d. 118 futures contracts
- a  
 b  
 c  
 d
- No, the answer is incorrect.  
 Score: 0  
 Accepted Answers: c
- 19) Suppose the price of the underlying asset is expected to decrease. Which of the following strategy (or strategies) will be profitable? 1 point
- a. Buy call
  - b. Write call
  - c. Buy put
  - d. Write put
- a  
 b  
 c  
 d
- No, the answer is incorrect.  
 Score: 0  
 Accepted Answers: b  
 c
- 20) The difference between the strike price and the market price of the underlying security is called the option premium 1 point
- a. True
  - b. False
- a  
 b
- No, the answer is incorrect.  
 Score: 0  
 Accepted Answers: b