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NPTEL

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Courses » Commodity Derivatives and Risk Management

Announcements **Course** Ask a Question Progress Mentor

Unit 7 - Week 6

Assignment 6

The due date for submitting this assignment has passed. **Due on 2016-08-31, 23:00 IST.**

Submitted assignment

1) A swap dealer is counterparty to a crude oil producer who would like to mitigate crude oil price risk. As part of the swap agreement, ***2 points***

- Crude oil producer will pay fixed price and receive floating price
- Crude oil producer will pay floating price and receive fixed price
- Swap dealer will pay and receive fixed price with receipt price higher than payment price
- Swap dealer will pay fixed price and receive floating price with floating price higher than fixed price

No, the answer is incorrect.
Score: 0

Accepted Answers:
Crude oil producer will pay floating price and receive fixed price

2) A swap dealer is counterparty to a standalone refiner. The refiner is anticipating decrease in crude oil price as well as decrease in petrol price). The refiner would be interested to mitigate price risk of ____________. As part of the swap agreement, the refiner would ____________ ***3 points***

- Petrol, pay fixed price and receive floating price on petrol
- Petrol, pay floating and receive fixed price on petrol
- Crude oil, pay fixed price and receive floating price on crude oil
- Crude oil, pay floating price and receive fixed price on crude oil

No, the answer is incorrect.
Score: 0

Accepted Answers:
Petrol, pay floating and receive fixed price on petrol

3) Choose the INCORRECT statement: LOOP futures contracts ***2 points***

- The underlying contract is for storing 1000 barrels of crude oil
- Helps in mitigating physical crude storage price
- Can be financially settled
- Long position holders of LOOP contract can store crude oil by paying fixed price.

No, the answer is incorrect.
Score: 0

Accepted Answers:
Can be financially settled

- CME-MCX - Lecture 26 Supplementary material
- loop-storage-futures-wdm-fact-card - Lecture 26 Supplementary material
- CME-Crude Oil-LOOP-Futures-contract- Specs - Lecture 26 Supplementary material
- Collar - Lecture 27 Supplementary material
- Moody's VPP rating - Lecture 27 Supplementary material
- Crack spread margin - Lecture 27 Supplementary material
- NCDEX-Good Delivery List - Lecture 28 Supplementary material
- gold spot-Contango-Backwardation - Gold - Lecture 28 Supplementary material
- Gold-backed-ETF-data - Lecture 28 Supplementary material
- Weblinks for STREAMING DEALS - Lecture 30 Supplementary material
- Barick Dehdge - Lecture 30 Supplementary material
- Gold Smuggling - Lecture 30 Supplementary material
- Assignment 6 Solution

Week 7:

4) 4. A crude oil refiner is a seller of swap on petrol. The notional quantity is 5000 liters. The swap duration is 3 months and with monthly payment and receipt. The fixed price INR 53 per liter. On the 1st and 2nd settlement date, the petrol price stood and INR 57 and INR 49 respectively. The refiner ***3 points***

- Will not pay/ receive any cash, as the average floating price INR 53.
- Will be incurring loss by entering into this swap contract.
- Will receive INR 20,000 and pay INR 20,000 on 1st and 2nd settlement respectively.
- Will pay INR 20,000 and receive Rs. 20,000 on 1st and 2nd settlement respectively.

No, the answer is incorrect.
Score: 0

Accepted Answers:
Will pay INR 20,000 and receive Rs. 20,000 on 1st and 2nd settlement respectively.

5) A spread contract (on crude oil: gasoline: heating oil in the ratio of 3:2:1) has the following information for spot price: crude oil (bbl) USD 67, gasoline & heating oil (per gallon) are USD 1.15 and USD 1.05 respectively. The crack spread (USD per barrel of crude oil) is ***2 points***

- – USD 20.1
- USD 20.1
- - USD 21.5
- Can not be calculated based on only spot price

No, the answer is incorrect.
Score: 0

Accepted Answers:
– USD 20.1

6) Spot gold price is fixed by ***2 points***

- World Gold Council
- London Bullion Markets Association
- International Monetary Fund
- Reserve Bank of India

No, the answer is incorrect.
Score: 0

Accepted Answers:
London Bullion Markets Association

7) Two gold coins weighing 20 grams each with 24 and 22 carat respectively will have minimum of _________ and _________ grams of gold. ***2 points***

- 18, 16
- 18.82, 17.90
- 19.8, 18.32
- 12, 11

No, the answer is incorrect.
Score: 0

Accepted Answers:
19.8, 18.32

8) Identify the INCORRECT statement: Quanto futures on Indian gold spot price is: ***2 points***

- Traded at DGCX
- If spot gold price in India increases, long Quanto futures loses
- Payment and Receipts are denominated in US Dollar
- Always settled in cash after contract maturity

No, the answer is incorrect.
Score: 0

Accepted Answers:
If spot gold price in India increases, long Quanto futures loses

Week 8

9) In a zero cost collar strategy, gold producers (anticipating price fall) would take **_2 points_**

- Long Call and Short Put on gold
- Long Call & Long Put on gold
- Long Put and Short Put on gold
- Long Put and Short Call on gold

No, the answer is incorrect.
Score: 0

Accepted Answers:
Long Put and Short Call on gold

10) Choose the INCORRECT statement : An example of "dehedge" **_2 points_**

- A party which has an open long futures position squares up by taking short futures position on the same underlying and same maturity
- A party which has an open short futures position squares up by taking long futures position on the same underlying and same maturity
- A party which had taken long put option squares up by taking long call option on the same underlying and same maturity.
- A party which had taken long put option squares up by taking short put option on the same underlying and same maturity.

No, the answer is incorrect.
Score: 0

Accepted Answers:
A party which had taken long put option squares up by taking long call option on the same underlying and same maturity.

11) A long position in crack spread futures contract involves **_2 points_**

- Long position in crude oil futures as well as long position in refined product futures
- Short position in crude oil futures as well as short position in refined product futures
- Long position in refined products futures as well as short position in crude oil futures
- Short position in refined product futures as well as long position in crude oil futures

No, the answer is incorrect.
Score: 0

Accepted Answers:
Long position in refined products futures as well as short position in crude oil futures

12) Choose the INCORRECT statement : In a mine "streaming deal", the stream buyer **_2 points_**

- Normally pays upfront lump sum amount.
- The stream seller may have an option to buy back the stream at a later date.
- Buys all metal produced by the mine at a fixed price
- is exposed to fluctuating metal prices, once the mine starts producing

No, the answer is incorrect.
Score: 0

Accepted Answers:
Buys all metal produced by the mine at a fixed price

13) Choose the INCORRECT statement : In a "knock in " put option, the option **_2 points_**

- has positive value only when underlying price goes down
- the buyer has the right to sell the underlying at exercise price
- has both trigger price and exercise price.
- buyer has the right to buy the underlying at exercise price

No, the answer is incorrect.
Score: 0

Accepted Answers:
buyer has the right to buy the underlying at exercise price

14) Choose the INCORRECT statement: The authorized gold dealers in India **2 points**

- Are authorized by reserve bank of India
- Are exposed to price risk, when they buy gold as outright purchases
- are exposed to gold price risk, when they buy gold on consignment basis
- are not exposed to gold price risk at all.

No, the answer is incorrect.
Score: 0

Accepted Answers:
are not exposed to gold price risk at all.

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