

MODEL TEST PAPER
COMMODITIES MARKET MODULE

- Q:1. Which of the following can be the underlying for a commodity derivative contract? [1 Mark]
- (a) Interest Rate
 - (b) Euro-Indian Rupee
 - (c) Gold
 - (d) NIFTY
- Q:2. Daily mark to market settlement is done _____. [2 Marks]
- (a) Till the date of contract expiry
 - (b) As long as the contract makes a loss
 - (c) On the last day of week
 - (d) On the last trading day of the month
- Q:3. _____ is the actual process of exchanging money and goods. [1 Mark]
- (a) Transfer
 - (b) Settlement
 - (c) Netting
 - (d) Clearing
- Q:4. _____ work at making profits by taking advantage of discrepancy between prices of the same product across different markets. [2 Marks]
- (a) Arbitragers
 - (b) Speculators
 - (c) Exchange
 - (d) Hedgers
- Q:5. A forward contract is an agreement between two entities to buy or sell the underlying asset at a future date, at today's pre-agreed price. [2 Marks]
- (a) FALSE
 - (b) TRUE
- Q:6. Options trading in commodity take place in Indian commodity exchanges. [1 Mark]
- (a) TRUE
 - (b) FALSE

- Q:7. Commodity exchanges enable producers and consumer to hedge their _____ given the uncertainty of the future. [1 Mark]
- (a) seasonal risk
 - (b) profit risk
 - (c) production risk
 - (d) price risk
- Q:8. Which of the following is not true about the national level exchanges? [2 Marks]
- (a) Offers online trading
 - (b) Recognised on permanent basis
 - (c) Offers single commodity for trading
 - (d) Volumes higher than regional exchanges
- Q:9. Which of the following Exchange does not offer derivative trading in Soybean? [2 Marks]
- (a) LME
 - (b) NCDEX
 - (c) CBOT
 - (d) MCX
- Q:10. _____ Exchanges provide real time, online, transparent and vibrant spot platform for commodities. [1 Mark]
- (a) Electronic Spot
 - (b) Regional
 - (c) Futures
 - (d) Stock
- Q:11. _____ can only trade through their account or on account of their clients and however clear their trade through PCMs/STCMs. [1 Mark]
- (a) Trading cum Clearing Member
 - (b) Trading Member
 - (c) Commodity Participant
 - (d) Associate Member
- Q:12. Trading cum Clearing member can carry out transactions on their own account and also on their clients account. [2 Marks]
- (a) FALSE
 - (b) TRUE

- Q:13. The minimum networth requirement for PCM on the NCDEX is _____. [2 Marks]
- (a) 50 Lacs
 - (b) 500 Lacs
 - (c) 5000 Lacs
 - (d) 5 lacs
- Q:14. Members can opt to meet the security deposit requirement by way of _____. [2 Marks]
- (a) Cash
 - (b) Bank Guarantee
 - (c) Fixed Deposit Receipts
 - (d) All of the above
- Q:15. In the case of certain commodities like gold and silver, delivery is staggered over last _____ days of the contract. [2 Marks]
- (a) Two
 - (b) Three
 - (c) Five
 - (d) Thirteen
- Q:16. The cash settlement is only for the incremental gain/ loss as determined on the basis of _____. [1 Mark]
- (a) Final settlement price
 - (b) Average price for the day
 - (c) Opening price.
 - (d) Last traded price
- Q:17. Unit of trading for Wheat at NCDEX is _____. [1 Mark]
- (a) 1 MT
 - (b) 3 MT
 - (c) 1 kg
 - (d) 10 MT
- Q:18. Some of the futures contract traded on NCDEX expires on day other than 20th of the month. [1 Mark]
- (a) True
 - (b) False

- Q:19. By using the currency forward market to sell dollars forward, an _____ can lock on to a rate today and reduce his uncertainty. [1 Mark]
- (a) Importer
 - (b) Speculator
 - (c) Exporter
 - (d) Arbitrager
- Q:20. _____ is the last day on which the futures contract will be traded, at the end of which it will cease to exist. [1 Mark]
- (a) Redemption Date
 - (b) Expiry Date
 - (c) Exercise Date
 - (d) Maturity Date
- Q:21. "A _____ option gives the holder the right but not the obligation to buy an asset by a certain date for a certain price." [1 Mark]
- (a) Put
 - (b) ITM
 - (c) OTM
 - (d) Call
- Q:22. Forward contracts are bilateral contracts and hence exposed to counter party risk. [1 Mark]
- (a) TRUE
 - (b) FALSE
- Q:23. An _____ option is an option that would lead to a zero cash flow to the holder if it were exercised immediately. [1 Mark]
- (a) In the money
 - (b) At the money
 - (c) Out of the money
 - (d) Put
- Q:24. A call option with a strike price of 150 trades in the market at premium of Rs.12. The spot price is Rs.160. The time value of the option is Rs._____. [2 Marks]
- (a) 12
 - (b) 10
 - (c) 2
 - (d) 8

- Q:25. A put option with a strike price of 150 trades in the market at Rs.8. The spot price is Rs.160. The intrinsic value of the option is Rs._____. [2 Marks]
- (a) 0
 - (b) 8
 - (c) 2
 - (d) 10
- Q:26. A trader buys three-month put options on 1 unit of gold with a strike of Rs.17000/10 gms at a premium of Rs.70. Unit of trading is 1kg. On the day of expiration, the spot price of gold is Rs.16800/10 gms. What is his net payoff? [4 Marks]
- (a) (+) 13,000
 - (b) (+) 20,000
 - (c) (-) 13,000
 - (d) (-) 20,000
- Q:27. One unit of trading for Guar Seed futures is 10 MT and delivery unit is 10 MT. A trader sells 1 unit of Guar Seed at Rs.2500/Quintal on the futures market. A week later Guar Seed futures trade at Rs.2550/Quintal. How much profit/loss has he made on his position? [2 Marks]
- (a) (-)5000
 - (b) (+)5000
 - (c) (+)50,000
 - (d) (-)50,000
- Q:28. The _____ position is considered for exposure and daily margin purposes. [2 Marks]
- (a) Short
 - (b) Long
 - (c) Net
 - (d) Open
- Q:29. Whenever the futures price moves away from the fair value, there would be opportunity for arbitrage. [2 Marks]
- (a) FALSE
 - (b) TRUE

- Q:30. Consider a three-month futures contract on gold. The fixed charge is Rs.310 per deposit and the variable storage costs are Rs.52.5 per week. Assume that the storage costs are paid at the time of deposit. Assume further that the spot gold price is Rs.15000 per 10 grams and the risk-free rate is 7% per annum. What would the price of three month gold futures if the delivery unit is one kg? Assume that 3 months are equal to 13 weeks. [4 Marks]
- (a) 15,27,491
 (b) 16,24,511
 (c) 17,41,200
 (d) 15,00,200
- Q:31. On the 15th of June a firm involved in spices exports knows that it will receive 3 MT of Pepper on August 15. The spot price of pepper is Rs.12680 per kg and the August Pepper futures price is Rs.13930. A unit of trading is 1 MT and the delivery unit is 1 MT. The exporter can hedge his position by _____. [4 Marks]
- (a) Buying 3 unit of August pepper futures
 (b) Buying 15 units of August Pepper futures
 (c) Selling 3 unit of August Pepper futures
 (d) Selling 15 units of August Pepper futures559.46
- Q:32. A company knows that it will require 33,000 MT of Wheat in three months. The hedge ratio works out to be 0.75. The unit of trading is 10 MT and the delivery unit for wheat on the NCDEX is 10 MT. The company can obtain a hedge by _____. [4 Marks]
- (a) buying 450 units of three-month wheat futures.
 (b) selling 2475 units of three-month wheat futures
 (c) selling 450 units of three-month wheat futures.
 (d) buying 2475 units of three-month wheat future
- Q:33. Gold trades at Rs.16000 per 10 gms in the spot market. Three-month gold futures trade at Rs.16150. One unit of trading is 1kg and the delivery unit for the gold futures contract on the NCDEX is 1 kg. A speculator who expects gold prices to rise in the near future buys 1 unit of gold futures. Two months later gold futures trade at Rs.15900 per 10 gms. He makes a profit/loss of _____. [2 Marks]
- (a) (+)2500
 (b) (+)25,000
 (c) (-)2500
 (d) (-)25,000

- Q:34. When the futures price of a commodity appears underpriced in relation to its spot price, an opportunity for _____ arbitrage arises. [2 Marks]
 (a) reverse cash and carry
 (b) cash and carry
- Q:35. A company that wants to sell an asset at a particular time in the future can hedge by taking short futures position. [2 Marks]
 (a) TRUE
 (b) FALSE
- Q:36. A _____ order, is an order which is valid for the day on which it is entered. [1 Mark]
 (a) Good till offset
 (b) Good till day
 (c) Good till filled
 (d) Good till cancelled
- Q:37. A Spread order is an order to buy or sell a stated amount of a commodity at a specified price, or at a better price, if obtainable at the time of execution. [1 Mark]
 (a) FALSE
 (b) TRUE
- Q:38. CHARJDEL is a symbol for the _____ futures contract traded on NCDEX: [1 Mark]
 (a) Copper
 (b) Chilli
 (c) Chana
 (d) Crude Oil
- Q:39. A trader sells 5 units of gold futures at Rs.16500 per 10 grams. What is the value of his open short position? Unit of trading is 1 Kg and delivery unit is one Kg. [2 Marks]
 (a) Rs.82,500
 (b) Rs.82,50,000
 (c) Rs.8,25,000
 (d) Rs.82,000
- Q:40. The total number of outstanding contracts (long/short) at any point in time is called _____. [2 Marks]
 (a) Hedge Limit
 (b) Transaction Charge
 (c) Delivery Lot
 (d) Open Interest

- Q:41. A trader has sold crude oil futures at Rs.3750 per barrel. He wishes to limit his loss to 20%. He does so by placing a stop order to buy an offsetting contract if the price goes to or above _____. [2 Marks]
- (a) Rs.4650
 - (b) Rs.4500
 - (c) Rs.3825
 - (d) Rs.3925
- Q:42. On introduction of new contracts, the base price is the _____ of the underlying commodity in the prevailing spot markets. [2 Marks]
- (a) previous days' average price
 - (b) previous days' closing price
 - (c) price decided by pre-open auction
 - (d) price decided by the exchange
- Q:43. A trader requires to take a long gold futures position worth Rs.85,00,000 as part of his hedging strategy. Two month futures trade at Rs.17000 per 10 gms. Unit of trading is 1Kg and delivery unit is one Kg. How many units must he purchase to give him the hedge? [2 Marks]
- (a) 5 units
 - (b) 14 units
 - (c) 50 units
 - (d) 10 units
- Q:44. A trading member has proprietary and client positions in a March Chilli futures contract. On his proprietary account, he bought 700 trading units at Rs.6000 per Quintal and sold 250 at Rs.6015 per Quintal. On account of client A, he bought 200 trading units at Rs.6012 per Quintal, and on account of client B, he sold 100 trading units at Rs.5990 per Quintal. What is the outstanding position on which he would be margined? [3 Marks]
- (a) 750
 - (b) 950
 - (c) 450
 - (d) 850
- Q:45. For Intention Matching and Seller's Right contracts traded at NCDEX, one of the components of the amount of penalty imposed on a seller in case of a delivery default would be _____ percent of final settlement price. [2 Marks]
- (a) 2
 - (b) 2.5
 - (c) 3
 - (d) 3.5

- Q:46. A bread manufacturer bought five one-month wheat futures contracts at Rs.1155 per Quintal at the beginning of the day. The unit of trading is 10 MT and each contract is for delivery of 10 MT. The settlement price at the end of the day was Rs.1165 per Quintal. The trader's MTM account will show [4 Marks]
- (a) (-)2500
 - (b) (+)2500
 - (c) (+)5000
 - (d) (-)5000
- Q:47. Proprietary positions are netted at member level without any set-offs between client and proprietary positions. [1 Mark]
- (a) TRUE
 - (b) FALSE
- Q:48. If the value of claim, difference or dispute is more than _____ on the date of application, then such claim, difference or dispute are to be referred to a panel of three arbitrators. [1 Mark]
- (a) Rs.10 Lakh
 - (b) Rs.50 Lakh
 - (c) Rs.25 Lakh
 - (d) Rs.75 Lakh
- Q:49. On respective _____ day, clearing members effect depository delivery in the depository clearing system as per delivery statement in respect of depository deals. [2 Marks]
- (a) Pay-in
 - (b) Expiration
 - (c) Settlement
 - (d) Pay-out
- Q:50. _____ refers to issue of physical delivery against the credit in the demat account of the constituent. [1 Mark]
- (a) Securitisation
 - (b) De-materialisation
 - (c) Re-materialisation
 - (d) Liquidation
- Q:51. Any person seeking to dematerialize a commodity has to open an account with an approved _____. [1 Mark]
- (a) Clearing house
 - (b) Exchange
 - (c) Depository Participant
 - (d) Bank

- Q:52. The commodities cannot be revalidated after the Final Expiry Date (FED). [1 Mark]
(a) TRUE
(b) FALSE
- Q:53. Where a trade cancellation is permitted and trading member wishes to cancel a trade, it can be done only with the approval of the _____. [1 Mark]
(a) Clearing Corporation
(b) SEBI
(c) RBI
(d) Exchange
- Q:54. If the last trading day as specified in the respective commodity contract is a holiday, the last trading day is taken to be the previous working day of the Exchange. [1 Mark]
(a) TRUE
(b) FALSE
- Q:55. In the case of settlements culminating into delivery, sales tax at the rates applicable in the state where the _____ is located will be payable. [1 Mark]
(a) Buyer
(b) Delivery Center
(c) Seller
(d) Exchange
- Q:56. After the sales tax/VAT obligations are determined, the seller client has to raise the _____. [1 Mark]
(a) Award
(b) Schedule
(c) Commodity
(d) Invoice
- Q:57. In case the members/constituents are not registered under relevant tax laws with the state in which delivery is affected, they can appoint a Carrying & Forwarding (C&F) agent who would undertake the activities related to the physical delivery of the commodity. [1 Mark]
(a) FALSE
(b) TRUE
- Q:58. The participants need to access the NSPOT trading system either as client through a member or as _____ of NSPOT. [1 Marks]
(a) Dealer
(b) Agent
(c) Member
(d) Contractor

- Q:59. Electronic spot exchange benefits the farmers by way of providing _____. [1 Mark]
- (a) counterparty guarantee
 - (b) direct access to a national level transparent market
 - (c) better holding capacity of the produce
 - (d) All of the above
- Q:60. In case the participant would need to _____, then he will have to deposit the goods in NSPOT pre-notified accredited warehouse before putting an order for the corresponding quantity in the NSPOT trading system. [1 Mark]
- (a) buy
 - (b) sell
 - (c) buy and sell
 - (d) all of the above
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Correct Answers :

Question No.	Answers	Question No.	Answers
1	(c)	31	(c)
2	(a)	32	(d)
3	(b)	33	(d)
4	(a)	34	(a)
5	(b)	35	(a)
6	(b)	36	(b)
7	(d)	37	(a)
8	(c)	38	(c)
9	(a)	39	(b)
10	(a)	40	(d)
11	(b)	41	(b)
12	(b)	42	(b)
13	(c)	43	(a)
14	(d)	44	(a)
15	(c)	45	(b)
16	(a)	46	(c)
17	(d)	47	(a)
18	(a)	48	(b)
19	(c)	49	(a)
20	(b)	50	(c)
21	(d)	51	(c)
22	(a)	52	(a)
23	(b)	53	(d)
24	(c)	54	(a)
25	(a)	55	(b)
26	(a)	56	(d)
27	(a)	57	(b)
28	(d)	58	(c)
29	(b)	59	(d)
30	(a)	60	(b)