		Answer Choices				
Sr. No.	Question	A	B	C	D	Correct answer
1	Which among the given alternatives, is a correct definition of an Option Contract?	An option is a contract which gives holder right to buy or sell (but not obligation) of underlying asset at a fixed price within a specified period of time	An option is a contract which gives holder right to buy or sell of underlying asset at a market price within a specified period of time	An option is a contract which gives holder right to buy or sell (but not obligation) of underlying asset at a fixed price.	An option is contract which gives holder right to buy or sell of underlying asset at a negotiable price	An option is a contract which gives holder right to buy or sell (but not obligation) of underlying asset at a fixed price within a specified period of time
2	Which is the correct definition of call option?	Call options are financial contracts that give the option holder the right, but not the obligation, to buy a stock, bond, commodity or other asset or instrument at a specified price within a specific time period.	Call options are financial contracts that give the option buyer the right, to buy a stock, bond, commodity or other asset or instrument at a specified price within a specific time period.	Call options are financial contracts that give the option buyer the right, but not the obligation, to buy a stock, bond, commodity or other asset or instrument at market price	Call options are financial contracts that give the option buyer the right, but not the obligation, to buy a stock, bond, commodity or other asset or instrument at a negotiated price between buyer and seller within specified time period	Call options are financial contracts that give the option buyer the right, but not the obligation, to buy underlying asset or instrument at a specified price within a specific time period.
3	Which among the given options, defines put option correctly	It is an option contract in which the holder has the right (but not the obligation) to sell a specified quantity at a specified price (strike price) within a fixed period of time (until its expiration).	It is an option contract in which the holder has the right to sell a specified quantity at a specified price (strike price) any day during contract period.	It is an option contract in which the holder has the right (but not the obligation) to sell a specified quantity of underlying asset at a specified price (strike price) within a specific time period	It is an option contract in which the holder has the right to sell a quantity at mutually agreed price	It is an option contract in which the holder has the right (but not the obligation) to sell a specified quantity of underlying asset at a specified price (strike price) within a specific time period
4	How is an option contract strikingly different from forward/futures contract?	In forward/futures, both the parties have a binding commitment, which is not in option	In forward/futures, both the parties have a binding commitment, however in options only option seller has obligation whereas option buyer has choice	In forward/futures, only seller has obligation whereas in option both the parties have a binding commitment	It is pre-decided price at which option contract to be bought or sold	In forward/futures, both the parties have a binding commitment, however in options only option seller has obligation whereas option buyer has choice
5	Who is writer of the option?	One who sells option by charging premium from option buyers and take obligation to fulfil commitment in case buyer exercises the option	One who takes short open position /seller	Both buyer as well as seller	none of these	One who sells option by charging premium from option buyers and take obligation to fulfil commitment in case buyer exercises the option
6	What do you understand by strike price?	It is price at which call option is entered into	It is pre-decided price at which option buyer is eligible to buy or sell the underlying asset	It is pre-decided price and part of contract specifications, at which option buyer is eligible to buy or sell the underlying asset.	It is mutually agreed price at which both put and call options are entered into	It is pre-decided price and part of contract specifications, at which option buyer is eligible to buy or sell the underlying asset.
7	What is expiration date?	It is last day on which either option contract is exercised or it lapses	It is last day on which futures contract expires	It is last day of the contract on which spot and futures merged into each other	None of these	It is last day on which either option contract is exercised or it lapses

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Sr. No.	Question	A	B	C	D	Correct answer
8	What is exercise date?	The day on which both futures and option contracts are entered into	The day on which forward contracts are entered into	The date on which option is actually exercised by the option holder	A day on which holder can acquire position in the underlying futures contract	The date on which option is actually exercised by the option holder
9	What is option premium?	It is mutually agreed price at which both put and call options are entered into	It is pre-decided price at which option buyer is eligible to buy or sell the underlying asset	It is the price (cost) paid by option buyer to the option seller to acquire the right to buy the underlying at a specific exercise price	None of these	It is the price (cost) paid by option buyer to the option seller to acquire the right to buy or sell the underlying at a specific exercise price
10	Which among the given options, is not a commodity as underlying for trading in the option?	zinc	crude oil	currency	soybean	currency
11	How does one refer to risk that a commodity futures price will move differently from that of its underlying physical commodity?	Premium risk	Spread risk	margin risk	basis risk	Basis risk
12	Deep in the money commodity call options on exercise gives the option buyer	Long position in the underlying futures	Short position in the underlying commodity futures	Short position in the underlying physical commodity	None of these	Long position in the underlying futures
13	What option contract buyer acquires?	A right but not an obligation	A right and an obligation	an obligation but not a right	Neither a right nor an obligation	A right but not an obligation
14	Which option gives option buyer zero or close to zero cash flow, if it were exercised immediately?	In the Money (ITM) & Out of the Money (OTM) option	At the Money (ATM) & Close to Money (CTM) option	All exchange traded	Out of the money and At the Money option	Out of the money and At the Money option
15	Maximum potential gain for seller of an option contract is---,till the expiry of the contract	Unlimited	Limited to the spot price of the underlying	limited to the futures price of the same expiry	Limited to the premium received upfront	Limited to the premium received upfront
16	When you are bullish about a commodity you can do a	sell call	buy put	buy call	none of the above	buy call
17	When you are bearish about a commodity you can do a	buy call	sell call	buy put	none of the above	buy put
18	An index option is a	debt instrument	derivatives product	cash market product	money market instrument	derivatives product
19	The buyer of an option can not lose more than option premium paid	True only for European options	True only for American options	False for all options	True for all options	True for all options
20	A strangle is a mixed option strategy consisting of	two puts and one call with the same expiry date	two calls and one put with the same expiry date	A call and a put for the same expiry but at different strike prices	A call and a put at a same strike price and expiry date	A call and a put for the same expiry but at different strike prices
21	The maximum risk in short put is	Unlimited	Equal to the price of the commodity minus the premium received	Equal to the price of the commodity plus the premium received	None of these	Unlimited
22	Which one of the transaction would be considered a protective strategy?	Sell a call against commodity you sold short	Buy a put on a commodity you own	Buy a call on a commodity you own	sell a put on commodity you own	Buy a put on a commodity you own
23	What will be the value of the option if a call option is far out of the money?	Less than the value of a put option with the same exercise price	Greater than the value of a put option with the same exercise price	Zero	Equal to the value of a put option with the same exercise price	Less than the value of a put option with the same exercise price
24	What is the reason of difference between value of a call option and put option with the same exercise price?	The volatility of price of the underlying commodity	The use of continuous as opposed to discrete discounting	The differential between the current commodity price in present value terms	Both are different contracts with different obligations and risks	Both are different contracts with different obligations and risks
25	When price of the underlying asset is expected to increase, then the good option is to	Buy a Call option	sell a call option	buy a put option	sell a put option	Buy a call option

		Answer Choices				
Sr. No.	Question	A	B	C	D	Correct answer
26	The type of option that can be exercised only at the date of expiration is classified as	European option	American option	Australian option	Canadian option	European option
27	Please read the given statement and then select the right option as your answer: "An option value can never be less than zero"	True	False	Partially true	Not sure	True
28	Please read the given statement and then select the right option as your answer: "At expiration a call option will have no value if the commodity price is less than exercise price "	TRUE	False	Partially true	Not sure	TRUE
29	Which from amongst the given options is true for the owner of a call option?	The loss potential is unlimited	The profit potential is unlimited	The premium exceeds the strike price	There is no expiration date , unless the option is a European call	The profit potential is unlimited
30	Which of the option trader receives, rather than pays a premium	Option buyer	Option seller	Both option seller and option buyer	Neither buyer nor seller receives premium	Option seller
31	Please read the given statement and then select the right option as your answer: "Option contracts are not symmetrical with respect to rights and obligations of the parties involved"	FALSE	True	Partially true	Not sure	True
32	Please read the given statement and then select the right option as your answer: "The term European and American have nothing to do with the location of the option or the exchange"	FALSE	TRUE	Partially true	Not sure	True
33	What is Bermudan option?	An option that can be exercised on the expiry of the contract	An option that can be exercised on specified dates during its life	An option that can be exercised two days prior to expiry of the contract	None of these	An option that can be exercised on specified dates during its life
34	What determines the option premium?	The options exercise price	The length of time remaining until expiration	Volatility of underlying futures contract	all the three	all the three
35	What is implied from the statement that an option is an eroding asset?	Its time value increases with expiration	Its time value becomes equal with price at the time of expiry	Its time value declines as it approaches expiration	Its time value becomes higher than price at the time of expiry	Its time value declines as it approaches expiration
36	Among these, which one does not indicate similarity between option and futures?	Market limits are imposed on both	Contracts for each cover a distinct period of time and cease to exist at expiration	Both entail the shifting of risk of producer	Both buyers and sellers are subject to asymmetrical obligations	Both buyers and sellers are subject to asymmetrical obligations
37	Among these, which one does not indicate difference between option and futures?	Option do not limit the profit potential	Option can be exercised /offset before expiration	Multiple option strategies are available based on market view	Both are derivatives to be traded on an organised regulated Exchange	Both are derivatives to be traded on an organised regulated Exchange
38	What is in the money (ITM) call option contract?	Spot price is greater than strike price	Spot price is Lower than strike price	Spot price is equal to strike price	None of these	Spot price greater than strike price
39	What is at the money (ATM) call option contract?	Spot price is lower than strike price	spot price is equal to strike price	Spot price is greater than strike price	none of these	spot price is equal to strike price
40	What is out of the money (OTM) call option contract?	Spot price is greater than strike price	Spot price is lower than strike price	Spot price is equal to strike price	None of these	Spot price is lower than strike price

		Answer Choices				
Sr. No.	Question	A	B	C	D	Correct answer
41	What is in the money (ITM) put option contract?	Spot price is lower than strike price	Spot price is higher than strike price	Spot price is equal to strike price	None of these	Spot price lower than strike price
42	What is at the money (ATM) put option contract?	Spot price is greater than strike price	Spot price is equal to strike price	Spot price is lower than strike price	None of these	Spot price is equal to strike price
43	What is out of the money (OTM) put option contract?	Spot price is lower than strike price	Spot price is greater than strike price	Spot price is equal to strike price	None of these	Spot price is greater than strike price
44	Which are the components of a premium or price of an option?	Intrinsic value and time value	time value and market price	Market price and futures price of an underlying asset	none of these	Intrinsic value and time value
45	What is intrinsic value?	Intrinsic value is the difference between the price of underlying asset and the strike price	Intrinsic value is the difference between the price of underlying asset and the futures price	Intrinsic value is the difference between the spot price and interest rate	none of these	Intrinsic value is the difference between the price of underlying asset and the strike price
46	What is time value of an option?	Option premium- intrinsic value	Option premium- Spot price	Intrinsic value -price of underlying asset	Price of underlying asset-interest rate	Option premium- intrinsic value
47	Please read the given statement and then select the right option as your answer: "The longer the time of a call to maturity,the greater will the time value be"	FALSE	TRUE	Partially true	Not sure	TRUE
48	Please read the given statement and then select the right option as your answer: "If a call writer owns the asset underlying the call, he is said to have written a covered call"	TRUE	FALSE	Partially true	Not sure	TRUE
49	What is naked call?	If a put is written where the writer does not have the asset underlying the put option the put is said to be naked	If a call is written where the writer does not have the asset underlying the call option the call is said to be naked call	Due to non availability asset call option is cancelled	None of these	If a call is written where the writer does not have the asset underlying the call option the call is said to be naked call
50	What is bid ask spread?	Difference between ask and bid prices	Difference between price of the underlying asset and strike price	Difference between price of a futures contract and underlying option contract	Difference between spot and futures price	Difference between ask and bid prices
51	Please read the given statement and then select the right option as your answer: "If the price of the underlying asset is lower than the exercise price on the expiration of call option , the call would expired unexercised"	TRUE	False	Partially true	Not sure	TRUE
52	Please read the given statement and then select the right option as your answer: "At expiration the price of underlying asset is greater than exercise price the put will expire unexercised"	FALSE	TRUE	Partially true	Not sure	TRUE
53	Please read the given statement and then select the right option as your answer: "It is possible for a futures contract to be underlying asset for an options contract"	TRUE	FALSE	Partially true	Not sure	TRUE
54	Which Option is exercised on the expiry date?	Out of the money	Close to money	At the money	In the money	In the money

		Answer Choices				
Sr. No.	Question	A	B	C	D	Correct answer
55	Which option lapses automatically?	At the money	In the money	Close to money	Out of the money	out of the money
56	What is the maximum potential gain for seller of an option contract till the expiry of the contract	Unlimited	Limited to the spot price of the underlying	Limited to the futures price of the same expiry	Limited to the premium received upfront	Limited to the premium received upfront
57	If a commodity call option has a strike price of Rs 1800/- and the current market price of the underlying asset is Rs.1950/- ,what will be its intrinsic value	Rs.50	Rs.100	Rs.150	Rs.200	Rs.150
58	If call option has a strike price of Rs 1210/- and the current market price of the underlying asset is Rs.1320/- and option premium is Rs.200, then what will be the time value	Rs. 70	Rs. 90	Rs. 100	Rs. 140	Rs. 90
59	Please read the given statement and then select the right option as your answer: "If other things remain constant the strike price of option increases, intrinsic value of call option will decrease and hence its value will also decrease"	True	False	Partially true	Not sure	True
60	Please read the given statement and then select the right option as your answer: "If other things remain constant increase in the strike price of option increases, intrinsic value of put option which in turn increases its option value"	FALSE	Partially True	TRUE	Not sure	TRUE
61	A trader will opt for an option contracts rather than a futures contract on an asset when	He thinks the price of the asset in the underlying market will certainly fall	He is uncertain but thinks it more likely that price of the asset will fall than rise	He is uncertain but thinks it more likely that price of the asset will rise than fall	He thinks price of the asset will remain unchanged	He is uncertain but thinks it more likely that price of the asset will rise than fall
62	Which among the given options, is advantage of over the counter derivatives against exchange traded derivatives?	There is less risk of default on the over the counter contract	Over the counter contracts are always for longer period	Over the counter contracts are more flexible	Over the counter contracts are more readily tradable	Over the counter contracts are more flexible
63	What is volatility?	Rising trend in the prices over a period of time	The propensity of the market price of underlying commodity to change in either direction ,over a period of time is called volatility	falling trend in the prices over the period of time	None of these	The propensity of the market price of underlying commodity to change in either direction ,over a period of time is called volatility
64	A long call is used when	one expects that market would fall	one expects that market would rise	one expects that market would remain unchanged	none of these	one expects that market would rise
65	A long put is used when	long put would gain value as the underlying asset price rises	long put would gain value as the underlying asset price declines	long put would gain value as the underlying asset price remains unchanged	none of these	long put would gain value as the underlying asset price declines
66	What is meant by option Greeks?	Statistical method denoting The variation in option value with respect to price	The variation in the option value with respect to each determinant of price is denoted by Greek alphabets	Different option strategy formulated to explain the variation in option value with respect to each determinant of price	None of these	The variation in the option value with respect to each determinant of price is denoted by Greek alphabets

		Answer Choices				
Sr. No.	Question	A	B	C	D	Correct answer
67	Which are the Greek alphabets?	Delta	Gamma	Theta	All the three	All the three
68	What is delta?	It is a measure of how much an option premium changes, given a unit change in the underlying futures price	It is a measure of how much a strike price changes, given a unit change in the underlying asset price	It is a measure of how much an option premium changes, given change in the interest rate	It represents sensitivity of option price with respect to change in the price of underlying asset	It is a measure of how much an option premium changes, given a unit change in the underlying futures price
69	Please read the given statement and then select the right option as your answer: "Delta for call option buyer is always positive"	FALSE	TRUE	Partially true	Not sure	True
70	Please read the given statement and then select the right option as your answer: "Delta for put option buyer is negative"	TRUE	False	partially true	Not sure	True
71	What is Gamma?	It is a measure of how much an option premium changes, given change in the interest rate	It is the rate of change of delta of the option with respect to the price of underlying asset	It is a measure of sensitivity of option price to change in market volatility	None of these	It is the rate of change of delta of the option with respect to the price of underlying asset
72	What is Theta?	It is a measure of the rate of decline in the value of an option due to the passage of time.	It is a measure of sensitivity of option price to change in market volatility	It is a measure of how much a strike price changes, given a unit change in the underlying asset price	It is a measure of the sensitivity of the value of option to passage of time	It is a measure of the sensitivity of the value of option to passage of time
73	Please read the given statement and then select the right option as your answer: "Theta is negative for a long option, whether it call or a put"	True	Partially True	False	Not sure	True
74	What is Vega?	It measures change in option price given a one day decrease in time to expiration	It is the measurement of an option's price sensitivity to changes in the volatility of the underlying asset.	It is a measure of how much a strike price changes, given a unit change in the underlying asset price	None of these	It is the measurement of an option's price sensitivity to changes in the volatility of the underlying asset.
75	Please read the given statement and then select the right option as your answer: "Vega is positive for a long call and a long put"	TRUE	Partially true	FALSE	Not sure	True
76	What is Rho?	This is measure of sensitivity of option price to changes in market volatility	It measures the sensitivity of an option or options portfolio to a change in interest rate.	It is a measure of how much a strike price changes, given a unit change in the underlying asset price	This is measure of sensitivity of option price to change in market volatility	It measures the sensitivity of an option or options portfolio to a change in interest rate.
77	What is Black -Scholes model?	This model is used to calculate a theoretical price of options using the five key determinants of an option price	This model is used to calculate impact of volatility on option premium	This model is used to calculate changes in option price with change in price of underlying asset	None of these	This model is used to calculate a theoretical price of options using the five key determinants of an option price
78	What are the key determinants of an option price in Black -Scholes model?	Strike price and underlying price	Volatility	Time to expiration	All the three	All the three
79	If the value of underlying asset rises, then the call premium	Rises	Falls	No change	fall in strike price	Rises
80	If the value of underlying asset rises, then the put premium	Falls	Rises	No change	Rise in strike price	Falls

		Answer Choices				
Sr. No.	Question	A	B	C	D	Correct answer
81	If the strike price rises, then the call premium	Rises	Falls	No change	Rise in underlying asset price	Falls
82	If the strike price rises, then the put premium	Falls	Rises	No change	Fall in underlying asset price	Rises
83	If time to expiry is increased, then the call premium	Rises	Falls	No change	underlying price will increase	Rises
84	If time to expiry is increased, then the put premium	Falls	Rises	No change	underlying price will decrease	Rises
85	If volatility increases, then call premium	Rises	Falls	No change	Both strike price and underlying price rise	Rises
86	If volatility increases, then the put premium	Rises	Falls	No change	Both strike price and underlying price fall	Rises
87	If interest rate rises, then the call premium	Rises	Falls	No change	Underlying price rises	Rises
88	If interest rate rises, then the put premium	Rises	Falls	No change	strike price falls	Falls
89	Which is the most popular and sophisticated method for calculating Value at Risk(Var)?	Delta -normal	Historical simulation	Monte-Karlo simulation	variance-covariance	Monte-Karlo simulation
90	Option has an advantage over futures because	Option provides hedge without removing opportunity to make profit	Option provides more certain hedge than futures	Option is likely to be cheaper	In option, it is less likely to require delivery of underlying asset	Option provides hedge without removing opportunity to make profit

		Answer Choices					
Sr. No.	Question	A	B	C	D	Correct answer	