

## IN-CLASS QUIZZ 04

On what principle are derivatives based?

- a) On the principle of leveraged trading.
- b) On the principle of spot trading.
- c) On the principle of forward trading.
- d) On the principle of discount trading.

What was the original purpose of derivatives?

- a) An instrument of speculation
- b) a hedging instrument
- c) an investment instrument
- d) a reserve-building instrument

What percentage of currency futures end with the actual delivery of the underlying asset?

- a) Approximately 50%
- b) less than 3%
- c) 10-15 %
- d) 5-10 %

What is the daily settlement of gains and losses in derivatives trading called?

- a) Clearing house
- b) marking to market
- c) SWIFT
- d) dealing

What is an option that gives the owner the right to sell a certain amount of an underlying asset under specified conditions called?

- a) call option
- b) put option
- c) crack option
- d) American option