



CERTSWARRIOR

Finance Series-3

National Commodity Futures Examination

Questions&AnswersPDF

ForMoreInformation:

<https://www.certswarrior.com/>

Features:

- 90DaysFreeUpdates
- 30DaysMoneyBackGuarantee
- InstantDownloadOncePurchased
- 24/7OnlineChat Support
- ItsLatestVersion

Latest Version: 6.0

Question: 1

Which of the following is NOT associated with a "bullish" outlook?

- A. The investor buys calls.
- B. The investor sells puts.
- C. There is a belief that a futures contract price will decrease.
- D. All of the above are considered "bullish."

Answer: C

Explanation:

An investor of futures with a "bullish" outlook would have the belief that a particular future's contract price will be increasing, NOT decreasing. With that, the investor would be inclined to buy calls and/or sell puts in that futures contract. If the contract price increases as they believe it will, the investor will benefit from exercising the right to purchase the futures contract at the contracted lower strike price (that is as a result of buying the call) and/or be obliged to purchase the futures contract at the contracted lower strike price (that is as a result of selling the put).

Question: 2

Upon receipt of the notice of intent to deliver from a seller, the clearinghouse will have to determine which customer will be assigned the delivery notice to take delivery of the contract commodity. Which of the following is TRUE of how that may be done?

- 1. Assigned to the buyer with the most recently established open long position (last in, first out) II. Assigned to the buyer with oldest open long position III. Assigned to the buyer with the largest net long position
- IV. Assigned to the buyer who can take delivery the soonest

- A. I, II, III, and IV
- B. II and III
- C. II only
- D. I and IV

Answer: B

Explanation:

Upon receipt of the notice of intent to deliver from a seller, the clearinghouse will have to determine which customer will be assigned the delivery notice to take delivery of the contract commodity. Depending on the exchange, the delivery notice may be assigned to either the buyer with oldest open long position or the buyer with the largest net long position.

Question: 3

Which of the following is defined as a purchased right to buy a futures contract at a specific price for a specified period of time?

- A. Call option
- B. Straddle
- C. Put option
- D. None of the above

Answer: A

Explanation:

A call option is a purchased right to buy a futures contract at a specific price for a specified period of time. A put option is a purchased right to sell a futures contract at a specific price for a specified period of time. A straddle involves buying or selling a call and a put at the same time, on the same security, with both with the same strike price and expiration.

Question: 4

Which of the following is TRUE regarding margin calculations?

- A. Pricing changes on futures contracts have an effect on the amount of margin deposit required.
- B. The clearinghouse is responsible for marking to the market.
- C. Additional margin may be required if the deposit falls below the minimum maintenance amount on the contract.
- D. All of the above are true.

Answer: D

Explanation:

The clearinghouse is responsible for marking to the market. This involves looking at the amount of margin on deposit versus the price on the futures contract. The question is whether the position, now established, is still above the minimum maintenance level for the contract. Pricing changes on futures contracts have an effect on the amount of margin deposit that will be required. Additional margin may be required if the deposit falls below the minimum maintenance amount.

Question: 5

An investor purchased a call option on a futures contract. Which of the following is NOT a possible outcome for this transaction?

- A. The call option is exercised.
- B. The call option is sold.

- C. The option contract is cancelled.
- D. The option contract expires.

Answer: C

Explanation:

An investor purchases a call option on a futures contract. There are three possible outcomes for this transaction. First, the call option can be exercised by the investor, which involves exercising the contractual right to buy futures under the contract. Second, the investor may decide to sell the rights under the contract to another investor, and third, the investor may decide to NOT exercise the rights under the contract and let it simply expire. These are the only outcomes for this investor, given that the option contract cannot be expressly cancelled.

Question: 6

Which of the following would be in the same option class as a "Gold May 35 Call"?

- I. Gold May 50 Call
- II. Gold May 35 Put
- III. Silver May 35 Call
- IV. Gold August 36 Call

- A. I, II, and IV
- B. I and IV
- C. II and III
- D. I only

Answer: B

Explanation:

Options within the same option class must be of the same type (call or put) and be for the same underlying futures contract. Here the options that would be in the same option class as "Gold May 35 Call" are Gold May 50 Call and Gold August 36 Call.

Question: 7

Which of the following is FALSE of the buyer of an option?

- A. He or she is also known as the "owner."
- B. The goal is to have the option exercised.
- C. The purchase provides him or her the right to buy or sell.
- D. The participation is for income purposes.

Answer: D

Explanation:

The buyer of an option is also known as the "owner." The purchase provides him or her the right to buy or sell, depending on whether it is a call or put. The goal is to have the option exercised, NOT expire unexercised. Participation is speculative in nature in that the buyer has a belief in the direction a contract's price will go and would like to profit from that through the purchase of either a call or put. Exercising the option means that the contract price moved in the direction he or she believed it would. The buyer is NOT purchasing an option for income purposes.

Question: 8

Which of the following statements is FALSE of the standard of "basis grade"?

- A. If the seller delivers a commodity that is above this standard, he or she may require a premium paid upon delivery.
- B. It is the minimum standard of quality set for a commodity to be considered good delivery under a futures contract.
- C. The exchange will not allow a seller to deliver a commodity of a grade that is below this standard.
- D. All of the above are true.

Answer: C

Explanation:

A basis grade is the minimum standard of quality set for a commodity to be considered good delivery under a futures contract. The exchange will allow a seller to deliver a commodity of a grade that is below this standard, but it will be for a discounted price. If the seller delivers a commodity that is above this standard, the seller may require a premium paid for it upon delivery.

Question: 9

A user of wheat has the opportunity to either purchase wheat and store it until the time it's needed (three months from then) or purchase wheat futures with delivery to be accepted three months in the future. Which of the following is NOT a consideration as he or she chooses the option that will cost the least?

- A. Total carrying cost for storing wheat over that time frame
- B. Transportation cost for delivery
- C. Price of wheat futures with delivery three months out
- D. Price of wheat in the cash market

Answer: B

Explanation:

A user of wheat has the opportunity either to purchase wheat and store it until the time it's needed (three months from then), or to purchase wheat futures with delivery to be accepted three months in the future. Factors that he or she should consider in ensuring that he or she chooses the option that will cost the least are, first, the price of wheat in the cash market plus the total carrying cost for storing that wheat over the three month time frame and, second, the price of wheat futures with delivery being

accepted three months out. Looking at these factors will allow him or her to compare the total cost of purchase and storage of the wheat for three months versus the cost of purchasing the wheat and taking delivery three months later. The transportation cost for delivery of the wheat is not a factor in determining which of these options will cost the least, since the cost will very likely be the same in either case.

Question: 10

Which of the following is TRUE of a clearinghouse?

- I. It facilitates clearing all commodity futures transactions.
- II. It provides a limited guarantee of contract performance.
- III. It eliminates counterparty risk.
- IV. It calculates margin requirement.

- A. III only
- B. I, III, and IV
- C. I, II, III, and IV
- D. II and IV

Answer: B

Explanation:

Commodity exchanges utilize clearinghouses to facilitate clearing all of their commodity futures transactions. In providing a full, NOT limited, guarantee of contract performance, the clearinghouse eliminates counterparty risk for both the buyer and the seller of a contract. Clearinghouses are also responsible for calculating the margin requirements member firms must deposit upon contract settlement.



CERTSWARRIOR

FULL PRODUCT INCLUDES:

Money Back Guarantee



Instant Download after Purchase



90 Days Free Updates



PDF Format Digital Download



24/7 Live Chat Support



Latest Syllabus Updates



For More Information – Visit link below:

<https://www.certswarrior.com>

16 USD Discount Coupon Code: U89DY2AQ