#1-181A

EASY INTERMEDIATE HARD

CFA® SAMPLE QUESTION – LEVEL I

Derivatives

Q: If a Silver futures contract requires the seller to deliver 5,000 Troy ounces of Silver. An investor sells one July silver futures contract at price of $8 per ounce, posting a $2,025 initial margin.

If the required maintenance margin is $1,500, the price per ounce at which the investor will first receive a "Maintenance Margin Call" is closest to:

CORRECT ANSWER:

Ⓒ **$8.11**

Initial margin paid by the inventor: $2,025. Give the maintenance margin is $1,500
Thus the buffer for the investor is: (2025-1500) = $525

One contract can control for 5,000 troy ounces of Silver
Allowable price movement = 525/ 5000 = 0.105

Since the investor "Sells" one silver contract. There any Price rise is unfavorable to the investor. So he will receive the first maintenance margin call if price increase more than = 8 +0.105 = 8.105 (closet to Answer C)

CFA Society Hong Kong
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