Faculty of Management Studies

Master of Business Administration (Sem.-IV)

In Effect from Academic Year 2023-24

Branch Name:	MANAGEMENT (Financial Management)
Program Code:	MS201
Course Name:	Financial Derivatives
Course Code:	2MS2010431T
Pre-requisite Course:	Commerce & Trade, Business. Forms of Business, Economics, Industry

Course Objectives:

1) To understand financial derivatives instruments like Equity, Currency and Interest Rate
2) To aware about institutional structure of financial derivatives instruments.
3) To develop and understanding of the importance of financial derivatives and the institutional structure of the markets on which they are traded.
4) To develop the analytical tools necessary to price financial derivatives instruments.

Teaching and Examination Scheme:

Teaching Scheme (Hours per week)				Evaluation Scheme (Marks)				
				Theory (Marks)		Practical (Marks)		Total (Marks)
Lecture (L)	Tutorial (T)	Practical (P)	Credit	University Assessment	Continuous Assessment	University Assessment	Continuous Assessment	
4	-	-	4	60	40	-	-	100

Subject Contents:

Sr. No.	Topic	Total Hours	Weightage (%)
1	**Introduction to Derivatives:** Brief History of Derivatives and Evolution of Commodity, Currency, Stocks and Interest Rate Derivatives. Explaining Structure of Cash and Derivative Markets: Forwards, Futures, Options, Swaps, etc. Application of Derivative: Hedging, Speculation and Arbitrage	**10**	**20%**
2	**Future and Forward:** Futures Contract Specifications: Underlying Asset, Contract Size, and Delivery Specifications, Marking to Market using Margin Account, Familiarizing with Market Quotes, Trading Strategies involving Futures, Futures Pricing: Pricing by Arbitrage relationship between Futures and Spot Price (cost of carry and reverse cost of carry), Futures on Dividend-paying Assets	**10**	**20%**
3	**Mechanics & Properties of Options:** Options Type, Boundary Conditions and Moneyness for options, Put-call parity and its interpretation, Basic options strategies. **Option Pricing:** Black-Scholes Models and Binomial Model of options pricing, Options sensitivity	**10**	**20%**

4	**Interest Rate Futures in India:** Interest Rate Future and its rational, Contractual Specification, Floating and Fixed Rate, Participants of markets. **Currency Markets:** Exchange rate and fixed and floating exchange rate regime, Factors affecting exchange rate, Concepts of quotes, Growth of currency derivatives in India	**10**	**20%**
5	**Practical:** • Analyzing Various Derivative Contract Specifications from Exchanges. • Mark to Market Margin Calculation on Real time data from Exchanges. • Understanding the trading and settlement process and other documentary requirements at Brokers' office to open the trading account. • Calculating the futures and options price with cost of carry, binomial and BS Models on real time data from Exchange &analyzing them with current market price. • Forming of different futures and options trading strategies with the real time data from Exchange. • Forming of hedging with real time data from commodities and currency Exchanges.	**8**	**20%**

Text Books:

Sr. No.	Books
1	Options Futures & Other Derivatives, By Hull & Basu, Pearson Education
2	Derivatives and Risk Management, By Sundaram Janakiramanan, Pearson Education

Reference Books:

Sr. No.	Books
1	Fundamentals of Futures and Options Markets; By John C Hull; Pearson Education
2	Futures and Options, By Vohra & Bagri, Tata McGraw Hill
3	Derivatives & Risk Management, By Rajiv Srivastava, Oxford University
4	Risk Management and Derivatives, By Rene M. Stulz, Cengage Publicaion

List of Open-Source Software/learning website:

1. "Management Concepts and Applications/Management" available on https://en.wikibooks.org/wiki/Management_Concepts_and_Applications/Management
2. http://www.managementconcepts.com/
3. Business Dailies (Business Standard, Economic Times, Financial Express etc.)
4. Stock exchange Websites: National Stock Exchange, Bombay stock Exchange
5. NSE's Certification in Financial Market (NCFM) modules
6. Websites: Moneycontrol, Economic times, Financial express, Other Securities companies website like. Kotak Securities, HDFC Securities, ICICI Direct
7. https://www.nseindia.com/research/content/research_NSE_NYU.htm
8. https://swayam.gov.in/

LAB/Practical

1. Students should be taken to Industrial Visit to understand management process
2. Expert talk from Managers can be arranged for students to understand Manager's role

Course Learning Outcomes (CLO): On completion of this course, the students will be able to:

CLO	Description	Bloom's Taxonomy Level
CLO1	Understand the need of financial derivatives	2 Understanding
CLO2	Analyze the risks in different financial markets	4 Analyze
CLO3	Acquire ability to selection of various options and then can apply them to specific markets.	3 Apply
CLO4	Able to distinguish among hedging, speculation and arbitrage.	4 Analyze
CLO5	Demonstrate critical thinking, analytical and problem-solving skills in the context of derivatives pricing and hedging practice.	5 Evaluate
CLO6	Analyse and price diverse derivatives products to generate Optimal risk management strategy.	4 Analyze 6 Create

Mapping of CLOs with POs & PSOs

Course Learning Outcomes	Program Outcomes (POs)								Program Specific Outcomes (PSOs)	
	PO1	**PO2**	**PO3**	**PO4**	**PO5**	**PO6**	**PO7**	**PO8**	**PSO1**	**PSO2**
CLO1	H						M		H	
CLO2		H	M	M						H
CLO3	H	H				H		M		H
CLO4				H	H	M	M		M	
CLO5	M	M	M			H	H		M	M
CLO6	H	H	H				H	M	H	

H: High, M: Medium, L: Low

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