

Branch Name:	MANAGEMENT(Financial Management)
Program Code:	MS301
Course Name:	Financial Derivatives
Course Code:	2MS3010831T
Pre-requisite Course:	Basics of Financial Management

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)				
Lecture (L)	Tutorial (T)	Practical (P)	Credit	Theory (Marks)		Practical (Marks)		Total (Marks)
				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%
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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 Publication

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. https://www.nseindia.com/research/content/research_NSE_NYU.htm
7. <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	Understanding Financial Derivatives	Understanding
CLO2	Analyzing Futures and Forwards	Analyze
CLO3	Understanding Options Pricing and Strategies	Understand
CLO4	Applying Interest Rate and Currency Derivatives	Apply
CLO5	Practical Application of Derivatives Trading	Evaluate
CLO6	Developing Risk Management Strategies	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						H	H
CLO3	H	H	H							H
CLO4	M						M		H	
CLO5			M			H		H		H
CLO6		H	H			H				H

H: High, M: Medium, L: Low
