



PROGRAM	Master of Business Administration
SEMESTER	3
COURSE TITLE	Financial Derivatives & Risk Management
COURSE CODE	04MB0309
COURSE CREDITS	03
COURSE DURATION	42 Hours

COURSE OUTCOMES:

- ❖ Demonstrate an understanding of the risk management approaches and techniques using derivatives
- ❖ Analyze the effectiveness of different hedging strategies using Forward and Futures contracts
- ❖ Formulate and solve problems requiring pricing derivative instruments and hedge market risk based on numerical data and current market trends
- ❖ Evaluate the effectiveness of different trading strategies using Call and Put Options
- ❖ Design & execute a swap using different underlying instruments such as interest rate and currency

COURSE CONTENTS:

Unit No	Unit / Sub Unit	Sessions
I	Overview of Risk and Derivative: Financial Risk Management: Concept of Risk, Types of Risk, Approaches to risk. Derivative: Definition, Objectives, types, Participants in derivative market: Hedgers, Speculators and Arbitrageur, Uses of Derivatives, Basic Derivatives terminology, Types of Orders, Derivatives in India, Exchange Traded and Over the Counter Markets.	08
II	Forward and Futures Contract: Forward: Meaning and types of forward contract, Structure and features of forward contract, FRA, Computation of Forward rates: Equity forwards, interest rate forward contracts, currency forward contracts. Pricing of forwards. Future: Introduction to Future market, future contract and future trading, clearing house, daily settlement, Margin and Marking to Market, Types of future contract, pricing of future, hedging strategies using futures, Single stock and Stock index futures.	09
III	Options and Strategies: Option Market: Introduction, Types of Options, Uses of Options, Payoffs from Options, Trading Strategies: Uncovered, Covered, Spread, Combination.	08
IV	Options Pricing & Greeks in options: Put Call Parity: Risk Free security and Put-call Implication. Options Valuation and Pricing. Factors Determining Option Price. Binomial Option Pricing model (Single period and two period), Black Scholes Models: Assumption, Pricing of call and put options. Options Greeks: delta, gamma, Vega, theta, rho. (Theory)	09
V	Swap Markets: Introduction, Types of swaps: Equity swaps, Interest rate swaps, Currency Swaps, commodity, and other Types of swaps, Swaptions, Valuation of Swaps. Risk in Swap.	08

EVALUATION:

The students will be evaluated on a continuous basis and broadly follow the scheme given below:

	Component	Weightage
A	Continuous Evaluation Component (Assignments / Presentations/Quizzes / Class Participation/ etc.)	20% (C.E.C.)
B	Internal Assessment	30% (I.A.)
C	End-Semester Examination	50% (External Assessment)

SUGGESTED READINGS:
Text Books:

Sr. No	Author/s	Name of the Book	Publisher	Edition & Year
T-01	Sundaram Janakiramanan	Derivatives and Risk Management	Pearson Education	1st Edition, 2011
T-02	John C. Hull and Sankarshan Basu	Options, Futures and Other Derivatives	Pearson Education	9th Edition, 2016
T-03	Rajiv Srivastava	Derivatives & Risk Management	Oxford University	1st Edition, 2010

Reference Books:

Sr. No	Author/s	Name of the Book	Publisher	Edition & Year
R-01	Robert A. Strong	Derivatives: An Introduction	Thompson Publications	2 nd Edition, 2004
R-02	S.L Gupta	Financial Derivatives theory, concepts, and problems	Prentice Hall	1 st Edition, 2005
R-03	Varma	Derivatives & Risk Management	Tata McGraw hill	1 st Edition, 2008
R-04	John C. Hull	Fundamentals of Futures and Options Markets	Pearson Education	9 th Edition, 2018
R-05	N.D. Vohra & B.R. Bagri	Futures and Options	Tata-McGraw Hill	2 nd Edition, 2003