

PROGRAM	Bachelors Of Commerce /Bachelors Of Commerce (Hons)
SEMESTER	VI
COURSE TITLE	Fundamental of Financial Derivatives
COURSE CODE	04BC0661
COURSE CREDITS	04
COURSE DURATION	48 Hrs (48 sessions of 60 minutes each)

COURSE OUTCOMES:

- Understand the working of Derivatives instruments, including Forwards, Futures, Options and Swaps
- Understanding and application of Stock Market Indices
- Understand the derivative trading system and basics of forward contract
- Assess the effectiveness of different hedging strategies using Futures contracts
- Determine the prices of Call and Put Options Black-Scholes models

Teaching and Examination Scheme

Teaching Scheme (Hours)			Credits	Internal Marks (50%)		End-Semester Examination (50%)			Total Marks
Theory	Tutorial	Practical		IA	CSE	Theory	Practical/Viva	Term Work (TW)	
4	0	0	4	30	20	50	0	0	100

Course Contents:

Unit No	Unit / Sub Unit	Sessions
I	Introduction to Risk Management & Types of Derivatives Definition of Risk, Definition of Risk Management, Types of Business Risk, Ways to Manage Risk, Derivatives introduction & definition, Types of Derivatives - Forward contracts, Future Contracts, Option Contracts, Swap Contracts	8
II	Understanding Index Introduction to Index, Significance to Index, Types of Stock Market Indices, Market capitalization weighted Index, Free-Float Market capitalization Index, Price-Weighted Index, Equal Weighted Index, Attributes of an Index, Impact Cost, Index Management, Application of Indices.	10
III	Trading in Derivatives & Forward Contracts Types of Traders in Derivative Market, Over the counter & Exchange traded contracts, Derivative Trading System, Trading, Clearing, Settlement & Risk Management, Open Interest in Derivative Market Forward Contracts, Specifications of Forward Contracts, Limitations of forward Contracts, Valuations of forward Contracts (Commodity Forwards & Currency Forward)	10

IV	Future Contracts Specifications of Future Contracts, Difference between forward & future contracts, Margin Calculations, Initial Margin, Maintenance Margin & Margin Call, Valuations of Index & Stock Future Contracts, Hedging, Arbitrage and Speculations using Index & Stock Future Contracts	10
V	Option Contracts Types of option contracts, Call option & Put options, Moneyness in Option Contracts, Intrinsic value and Time value in option Premium, American & European Option Contracts, Factors affecting to option Premium, Put Call Parity, Valuations of Option Contracts using Black & Scholes Model	10

SUGGESTED READINGS:
Text Books:

Sr. No	Author/s	Name of the Book	Publisher	Edition & Year of Publication
T-01	Sundaram Janakiramanan	Derivatives & Risk Management	Pearson	5th Edition, 2011

Reference Books:

Sr. No	Author/s	Name of the Book	Publisher	Edition and Year of Publication
R-01	N D Vohra & B R Bagri	Futures and Options	McGraw Hill	2nd Edition, 2003
R-02	Rajiv Srivastava	Derivatives & Risk Management	Oxford	1 st Edition, 2010