Financial Derivatives

Course Code	21BA4T6FA	Year	II	Semester	II
Course Category	Elective (Finance)	Branch	Business Administration	Course Type	Theory
Credits	3	L-T-P	3-0-0	Prerequisites	Nil
Continuous Internal Evaluation	30	Semester End Evaluation	70	Total Marks	100

Course Outcomes		
Upon successful completion of the course, the student will be able to:		
CO1	**Discover** various types of derivatives including options, futures, and swaps etc.	**L3**
CO2	**Analyze** trading mechanism of derivatives in the derivative market.	**L4**
CO3	**Apply and analyze** various trading strategies using options and futures in the derivative market	**L3, L4**
CO4	**Analyze** the value of options using option pricing models.	**L4**
CO5	**Examine** the role of swaps in the risk management.	**L4**

Contribution of Course Outcomes towards achievement of Program Outcomes & Strength of correlations (3-High, 2-Medium, 1-Low)

	PO1	PO2	PO3	PO4	PO5	PO6	PO7	PO8	PO9	PO10	PO11	PSO1	PSO2
CO1	3	3	3	-	-	-	3	-	-	-	-	3	-
CO2	3	3	3	-	-	-	3	-	-	-	-	3	-
CO3	3	3	3	-	-	-	3	-	-	-	-	3	-
CO4	3	3	3	-	-	-	3	-	-	-	-	3	-
CO5	3	3	3	-	-	-	3	-	-	-	-	3	-

SYLLABUS		
Unit No.	**Contents**	**Mapped CO**
I	**Introduction:** Meaning, objectives of derivatives, different types of derivatives -Forwards and futures contracts- Other derivatives -Trading – regulation -Index futures - Futures on currencies - Interest rate futures - Derivatives market in India.	**CO1 CO2**
II	**Options Market:** Properties of stock options – option trading process - Underlying assets - Stock options – Warrants- Executive stock options- Convertibles.	**CO1 CO2**
III	**Trading Strategies:** Strategies involving options – Spread- Combinations- Other payoffs -Options on indices - Hedging Strategies using Derivatives.	**CO1 CO3**
IV	**Options Valuation:** Binomial model - One-step and two step binomial trees - Black- Scholes model – Log normal property of stock prices - Volatility - Causes of volatility.	**CO1 CO4**
V	**Swaps:** Interest rate swaps, different types of interest rate swaps - Currency swaps - Equity swaps - Credit derivatives – Credit default swaps - Caps and floors.	**CO1 CO5**
Case Study Compulsory. Relevant cases have to be discussed in each unit.		

Learning Resources
Text Books:
1. Bhalla, V.K, “Financial Derivatives”, Sultan Chand, New Delhi. 2. Bishnu Priya Mishra, “Financial Derivatives”, Excel Books, New Delhi.
Reference Books:
1. Brennet, M, “Option Pricing: Theory and Applications”, Lexington Books, Toronto. 2. Dhanesh Kumar K, “Derivatives and Risk Managements”, Mc Millan Publishers India Ltd., New Delhi, 3. Franklin Edwards and Cindy Ma, “Futures and Options”, Tata McGraw Hill, New Delhi. 4. Gupta S L., “Financial Derivatives: Theory, Concepts and Problems”, Prentice Hall of India, New Delhi. 5. John C. Hull, “Options, Futures and Other Derivatives”, Prentice Hall of India, New Delhi. 6. Kumar S SS, “Financial Derivatives”, Prentice Hall of India, New Delhi. 7. Preeti Singh, “Financial Institutions”, Ane Books India, New Delhi. 8. Redhead: Financial Derivatives, “An Introduction to Futures, Forwards and Options”, Prentice Hall of India, New Delhi. 9. Satyanarayana Chary T, “Financial Derivatives”**,** Excel Books, New Delhi.
e- Resources & other digital material:
1. https://www.investopedia.com/terms/d/derivative.asp 2. https://bookboon.com/ 3. https://libertex.com/blog/what-are-derivatives-finance