

S. No.	Course Code	Course Name	Course Type	Cd	L	T	P	Marks		
								Sessional	Final Exam	Total
2	MBA-422	Financial Derivatives	Elective	4	4	0	0	30	70	100

Course outcomes:

At the end of the course the student will be able to: -	
CO1	Understand financial derivatives with reference to the Indian stock market.
CO2	Understand the concepts and types of forwards and future contracts.
CO3	Understand the concepts and types of financial swaps and options.
CO4	Evaluate the various trading and pricing strategies for derivative products.
CO5	Interpret the strategies and models of hedging for minimizing risk.

Detailed Syllabus

UNI

T I:

Introduction: Definition, features and types of financial derivatives. Basic financial derivatives and their utility. Types of traders, Critiques of the derivatives. Financial Derivatives Markets in India.

UNIT

II:

Forwards and Futures: Financial Futures Contracts and its types, Functions of futures market, Specifications of the Futures Contract, Clearing House, Concept and types of margins, Settlement/ Closing a Futures Position. Forward Contracts and Forward trading mechanism, Gain on Long and Short Position Contract, Pay Off from forward contract, forward prices versus futures prices, Main distinction between futures and forward contracts.

UNIT

III:

Financial Swaps and Options: Concept and features of swaps, Major types of swaps- Concept, features, types and valuation of Interest Rate swaps and Currency swaps, Debt- Equity Swaps. Concept and types of Options, Option valuation, Option Positions, Underlying assets in exchange traded options.

UNIT

IV:

Trading with Options: Trading with options- Strategies involving a single option and a stock, Spreads (trading strategy), Vertical Spreads, Butterfly Spreads, Horizontal Spread, Diagonal Spreads; Combinations. Determinants of Option Prices, The Black-Scholes Option Pricing Model, Binomial Option Pricing Model.

UNIT

V:

Hedging Strategy: Hedging Concepts, basic long and short hedges, cross hedging, The Perfect Hedging Model, basic risk and hedging, basis risk versus price risk, devising a hedging strategy, hedge ratio, Management of the Hedge. Concept of Fixed Hedge, Zero Cost Option Strategy, Delta Hedging, Theta, Gamma, Vega, Rho and Phi.

Textbooks

S.No	Name of the Suggested Books	Name of Author	Publisher Name	Edition (Pub. Yr.)
1	Financial Derivatives Theory Concepts and Problems	By S. L. Gupta	Prentice- Hall of India Private Limited	2 nd (2005)
2	Options, Futures and Other Derivatives	By John C. Hull	Prentice- Hall of India Private Limited	10 th (2018)

Reference Books

S. No	Name of the Suggested Books	Name of Author	Publisher Name	Edition (Pub. Yr.)
1	Fundamental of Financial Derivatives	By N.R. Parsuraman	Wiley Preice Textbook Series	3 rd (2014)