



Kot Bhalwal, Jammu



Model Institute of Engineering
& Technology (Autonomous)
Dr. Arun K. Gupta Teaching-Learning Centre

Department of B.Com(H)

Details of Lesson Plan

S.No.	Particulars	Details
1.	Course Name	Financial Derivatives
2.	Course Code	MBA-422
3.	Academic Year	2023-24
4.	Semester	IV
5.	Number of Lesson plans	44
6.	Faculty Assigned	Dr Mamta Sharma

Faculty Signature



Lesson Plan No. 1	Course Name: Financial Derivatives Topic: Definition and Features of Financial Derivatives	Course No.: MBA-422
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Objectives	At the end of the lesson the student shall be able to: <ol style="list-style-type: none"> Define financial derivatives and their core functions. Identify the key features and characteristics of different types of derivatives. Analyse the potential benefits and risks associated with using financial derivatives.
Teaching Aids (if any)	PowerPoint presentation Whiteboard and markers
Teaching Development	<ol style="list-style-type: none"> Introduction (5 minutes) <ul style="list-style-type: none"> Start with a brief introduction to the concept of derivatives, drawing parallels with everyday examples (e.g., insurance contracts, options on buying a house). Ask students questions to gauge their prior knowledge of financial instruments and risk management. (e.g., What is a contract? What are some ways to manage risk? Have you heard of options or futures contracts?) Development (30 minutes) <ul style="list-style-type: none"> Define financial derivatives: Explain that they are contracts whose value is derived from the underlying value of another asset (e.g., stocks, bonds, currencies, commodities). Use simple examples to illustrate this concept. Differentiate between financial derivatives and traditional financial instruments: Explain how derivatives are different from cash markets and how they offer greater flexibility in managing risk and pursuing investment opportunities. Identify the different types of financial derivatives: Briefly introduce the main categories (e.g., forwards, futures, options, swaps) and explain their basic features (e.g., exercise right, expiration date, margin requirement). Discuss the key features of financial derivatives: Explain how they are used for hedging risk, speculating on price movements, and enhancing returns. Use real-world examples to illustrate these functions. Highlight the benefits of using financial derivatives: Emphasize their potential to reduce risk, increase capital efficiency, and create new investment opportunities. Video Link "Crash Course: Financial Derivatives" by Khan Academy (YouTube video): https://m.youtube.com/watch?v=nf9ByTdX0aY



Closure	<ol style="list-style-type: none">1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve (5 minutes).2. Encourage students to ask questions for clarification.3. Mention that there will be an evaluation through a quiz to assess their understanding.4. Suggested reading: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 3 to 85. "The Complete Guide to Financial Derivatives" by Investopedia (online article): https://www.investopedia.com/terms/d/derivative.asp
Evaluation	<ol style="list-style-type: none">1. Administer a short quiz with multiple-choice and short-answer questions related to the topic(10 minutes).



Lesson Plan No. 2	Course Name: Financial Derivatives Topic: Types of financial derivatives	CourseNo.:MBA-422
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Objectives	At the end of the lesson the student shall be able to: <ul style="list-style-type: none"> a. Classify financial derivatives based on their nature (financial and commodity) and market trading (exchange-traded and over-the-counter). b. Identify the key characteristics and functions of each type of derivative. c. Apply the understanding of derivative types to real-world scenarios.
Teaching Aids (if any)	<ul style="list-style-type: none"> a. PowerPoint presentation b. Whiteboard and markers
Teaching Development	<p>1. Introduction (5 minutes)</p> <ul style="list-style-type: none"> - Begin by asking students to recall their understanding of financial derivatives and their role in risk management. - Briefly introduce the concept of types of derivatives as the building blocks for further analysis. - Pose a question like: "What are the different ways in which financial derivatives can be categorized?" to stimulate curiosity and engagement. <p>2. Development (30 minutes)</p> <ul style="list-style-type: none"> - Classification by Nature: - Financial Derivatives: Explain derivatives based on underlying assets like stocks, bonds, currencies, and interest rates. - Provide examples like options, futures, swaps, and forwards. - Briefly discuss the concept of leverage and risk-reward trade-off in financial derivatives. - Commodity Derivatives: Introduce derivatives based on underlying commodities like oil, gold, agricultural products, etc. - Use examples like futures contracts, options on futures, and swap agreements for commodities. - Highlight the role of commodity derivatives in hedging price fluctuations. - Classification by Market Trading: - Exchange-Traded Derivatives (ETD): Explain derivatives traded on standardized exchanges like NSE or BSE. - Emphasize the features of ETDs like standardization, margin requirements, and clearinghouse mechanisms. - Provide examples of popular ETD contracts like stock options, index futures, and currency futures. - Over-The-Counter (OTC) Derivatives: Discuss derivatives traded privately between two parties without



	<p>exchange intervention.</p> <ul style="list-style-type: none">- Explain the customization options and flexibility offered by OTC derivatives.- Use examples of interest rate swaps, credit default swaps, and forward contracts for specific needs- Video Link: "Financial Derivatives Explained in 10 Minutes" by Crash Course (YouTube): https://m.youtube.com/watch?v=KuJkFqBWpl0 <p>3. Activity (5 minutes) –</p> <ul style="list-style-type: none">- Divide students into small groups and give them a scenario involving the use of financial derivatives.- Ask them to identify the type of derivative being used, explain its purpose, and discuss the potential benefits and risks involved.- Encourage group discussion and share the answers with the class.
Closure	<ol style="list-style-type: none">1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve (5 minutes).2. Encourage students to ask questions for clarification.3. Mention that there will be an evaluation through a quiz to assess their understanding. <p>Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 8 to 13</p> <p>"The Ultimate Guide to Financial Derivatives" by Investopedia (Article): https://www.investopedia.com/terms/d/derivative.asp https://www.investopedia.com/terms/d/derivative.asp#toc-types-of-derivatives</p>
Evaluation	<ol style="list-style-type: none">1. Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)



Lesson Plan No. 3	Course Name: Financial Derivatives Topic: Basic financial derivatives (Forward Contracts, Futures Contracts and options Contact)	CourseNo.:MBA-422
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Objectives	At the end of the lesson the student shall be able to: <ol style="list-style-type: none"> Understand the concept of financial derivatives and their role in risk management. Differentiate between forward, futures, and option contracts. Analyse the mechanics and pricing of basic derivative instruments.
Teaching Aids (if any)	<ol style="list-style-type: none"> PowerPoint presentation Whiteboard and markers
Teaching Development	<ol style="list-style-type: none"> 1. Introduction (5 minutes) <ul style="list-style-type: none"> Briefly introduce the concept of financial derivatives and their increasing importance in modern finance. Ask students to recall any previous exposure to derivatives or financial markets. Gauge their understanding of risk management and basic financial concepts like underlying assets, contracts, and price movements. 2. Development (30 minutes) <ul style="list-style-type: none"> Forward Contracts (10 minutes): <ul style="list-style-type: none"> Define a forward contract, explaining its structure, delivery terms, and price determination. Discuss the advantages and disadvantages of using forward contracts for hedging. Provide real-world examples of forward contracts used in different industries. Futures Contracts (10 minutes): <ul style="list-style-type: none"> Compare and contrast futures contracts with forwards, highlighting standardization and exchange trading. Explain margining, clearinghouse system, and settlement process in futures markets. Discuss the use of futures contracts for hedging price fluctuations and speculation. Option Contracts (10 minutes): <ul style="list-style-type: none"> Introduce basic option terminology: call/put options, strike price, expiration date, and intrinsic/extrinsic value. Explain the payoffs and risks associated with buying and selling options. Discuss the use of options for hedging specific price ranges or speculating on price direction. 3. Activity (5 minutes) – <ul style="list-style-type: none"> Divide students into small groups and present them with a scenario involving price risk in a specific market Ask each group to discuss how they would use a forward or



	<p>futures contract to mitigate this risk.</p> <p>- Encourage brainstorming and facilitate a class discussion on the different approaches and their implications.</p>
Closure	<ol style="list-style-type: none">1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve (5 minutes).2. Encourage students to ask questions for clarification.3. Mention that there will be an evaluation through a quiz to assess their understanding. <p>Recommended Video link: "Crash Course: Derivatives" by Khan Academy (YouTube): https://m.youtube.com/watch?v=N2PpRnFqnqY</p> <p>Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 13 to 15</p> <p>"The Basics of Financial Derivatives" by Investopedia: https://www.investopedia.com/terms/d/derivative.asp</p>
Evaluation	<p>Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)</p>



Lesson Plan No. 04	Course Name: Financial Derivatives Topic: Basic financial derivatives (Warrants and Convertibles, Swap Contracts and other derivatives)	Course No.: MBA-422
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Objectives	At the end of the lesson the student shall be able to: a. Define and differentiate between warrants and convertibles. b. Explain the mechanics of swap contracts and their applications. c. Identify and understand other common types of financial derivatives
Teaching Aids (if any)	a. PowerPoint presentation b. Whiteboard and markers
Teaching Development	<p>1. Introduction (5 minutes)</p> <ul style="list-style-type: none"> - Start with a brief recap of previous classes on derivatives. Ask questions to gauge students' understanding of the concept and its basic uses. - Pose a thought-provoking question to stimulate interest, such as: "How can companies use derivatives to hedge against currency fluctuations or interest rate changes?" <p>2. Development (30 minutes)</p> <ul style="list-style-type: none"> - Warrants and Convertibles (10 minutes): - Define warrants and convertibles, highlighting their key features and differences. - Explain the mechanics of exercising warrants and converting convertibles. - Discuss the advantages and disadvantages of using warrants and convertibles for companies and investors. - Swap Contracts (10 minutes): - Define swap contracts and explain their basic structure (fixed-for-fixed, fixed-for-floating, etc.). - Discuss the different types of swap contracts (interest rate swaps, currency swaps, etc.) and their applications. - Explain how swap contracts are used for managing interest rate risk, currency risk, and other financial risks. - Other Derivatives (10 minutes): - Briefly introduce other common types of financial derivatives like credit derivatives, weather derivatives, Commodity derivatives, Idea Futures. <p>3. Exercise (5 minutes) –</p> <ul style="list-style-type: none"> - Compose a brief summary or response to today's lecture in the style of a "Two Minute Paper" activity. Please keep it concise and aim for completion within two minutes.
Closure	Spend 5 minutes to wrap up and consolidate the learnings 1. Summarize the key points of the lesson, emphasizing the objectives that



	<p>students were expected to achieve.</p> <ol style="list-style-type: none">2. Encourage students to ask questions for clarification.3. Mention that there will be an evaluation through a quiz to assess their understanding. <p>Recommended Video link: "Crash Course in Derivatives" by Khan Academy (10 minutes) https://m.youtube.com/watch?v=N2PpRnFqnqY</p> <p>Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 15 to 19 http://dspace.vnbrims.org:13000/jspui/bitstream/123456789/4314/1/Swaps%20and%20Other%20Derivatives.pdf (BOOK Page no: 31 to 40)</p>
Evaluation	Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)



Lesson Plan No. 5	Course Name: Financial Derivatives Topic: Financial derivative's utility	Course No.: MBA-422
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Objectives	At the end of the lesson the student shall be able to: <ol style="list-style-type: none"> Explain the different uses of derivatives in managing financial risk. Illustrate how derivatives can be used for speculation and hedging. Analyse the benefits and limitations of using derivatives in financial markets.
Teaching Aids (if any)	<ol style="list-style-type: none"> PowerPoint presentation Whiteboard and markers
Teaching Development	<ol style="list-style-type: none"> Introduction (5 minutes) <ul style="list-style-type: none"> Ask students questions to gauge their prior knowledge about derivatives, such as: <ul style="list-style-type: none"> What are some common types of derivatives? What are the risks associated with using derivatives? Can you give an example of how a derivative could be used to hedge risk? Development (30 minutes) <ul style="list-style-type: none"> Risk Management Hedging Profit Opportunities Portfolio Diversification Diversification Strategies Price Discovery Market Information Leverage Amplifying Returns Arbitrage Profit from Price Discrepancies Income Generation Writing Options Insurance Against Events Foreign Exchange Management Currency Hedging Activity (5 minutes) – <ul style="list-style-type: none"> Divide students into small groups and give them a case study about a company facing a specific financial risk. Ask them to discuss and propose how the company could use derivatives to manage that risk. Have each group present their solution to the class and encourage discussion.
Closure	<p>Spend 5 minutes to wrap up and consolidate the learning</p> <ol style="list-style-type: none"> Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve. Encourage students to ask questions for clarification. <p>Mention that there will be an evaluation through a quiz to assess</p>



	their understanding. 3. Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No: 21 to 22
Evaluation	Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)



Lesson Plan No. 06	Course Name: Financial Derivatives Topic: Financial Derivatives Markets in India.	Course No.: MBA-422
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Objectives	At the end of the lesson the student shall be able to: <ol style="list-style-type: none"> Understand the structure and organization of the Indian financial derivatives market. Analyse the key participants and regulators in the Indian derivatives market. Evaluate the impact of financial derivatives on the Indian economy.
Teaching Aids (if any)	<ol style="list-style-type: none"> PowerPoint presentation Whiteboard and markers
Teaching Development	<ol style="list-style-type: none"> Introduction (5 minutes) <ul style="list-style-type: none"> Start with a brief introduction to financial derivatives and their role in managing risk. Ask students questions to gauge their understanding of derivatives and the Indian financial system. What are financial derivatives? What are the different types of derivatives? What are the main reasons for using derivatives? Do you have any prior knowledge about the Indian derivatives market? Development (30 minutes) <ul style="list-style-type: none"> Evolution of Indian derivatives market: Discuss the historical development of the derivatives market in India, including key milestones like the establishment of NSE and BSE derivatives segments, introduction of new products, and regulatory reforms. Market structure and participants: Explain the structure of the Indian derivatives market, highlighting the roles of exchanges, clearing corporations, brokers, and market makers. Briefly discuss the types of trading platforms used. Regulatory framework: Discuss the regulatory framework governing the Indian derivatives market, focusing on the role of SEBI, risk management guidelines, and investor protection measures. Role of derivatives in India: Analyze the role of financial derivatives in risk management for various market participants (e.g., corporations, investors, banks). Discuss how derivatives contribute to market efficiency and price discovery. Activity (5 minutes) – <ul style="list-style-type: none"> Divide students into small groups and ask them to discuss on Myth no. 2 “Derivatives are purely speculative, highly leveraged instrument”



Closure	Spend 5 minutes to wrap up and consolidate the learning <ol style="list-style-type: none">1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve.2. Encourage students to ask questions for clarification. Mention that there will be an evaluation through a quiz to assess their understanding. Suggested Readings: "Financial Derivatives Market in India – Need for Derivatives – Evolution of Derivatives in India" available at: https://backup.pondiuni.edu.in/sites/default/files/downloads/Financial-derivatives-260214.pdf "A Study on the Derivatives Market in India" available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3510065
Evaluation	Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)



Lesson Plan No. 07	Course Name: Financial Derivatives Topic: Financial derivatives (Practical Problems 1 to 8) Textbook: Financial Derivatives Theory Concepts and Problems by S. L. Gupta (Edition 2nd, 2005) Pages: 31 to 33	Course No.: MBA-422
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Objectives	At the end of the lesson the student shall be able to: <ol style="list-style-type: none"> Understand and solve practical problems related to Financial Derivatives. Apply theoretical concepts to real-world scenarios. Enhance problem-solving skills in the context of financial derivatives.
Teaching Aids (if any)	<ol style="list-style-type: none"> PowerPoint presentation Whiteboard and markers
Teaching Development	<ol style="list-style-type: none"> 1. Introduction (5 minutes) <ul style="list-style-type: none"> Briefly introduce the topic of Financial Derivatives, emphasizing their role in risk management and financial markets. Ask students questions to gauge their previous knowledge about financial derivatives. This can include definitions, types of derivatives, and their applications. 2. Development (30 minutes) <ul style="list-style-type: none"> Divide the 30 minutes into 8 sections, allocating approximately 3-4 minutes for each practical problem from pages 31 to 33 in "Financial Derivatives Theory Concepts and Problems" by S. L. Gupta. Walk through the solutions step by step, encouraging student participation and questions. Emphasize the application of theoretical concepts learned in previous classes to solve real-world problems. Relate each practical problem to relevant industry scenarios to provide practical context. 3. Activity (5 minutes) – <ul style="list-style-type: none"> Conduct a brief group activity or exercise related to the practical problems discussed. Provide a set of additional derivative problems or scenarios for students to solve collaboratively. Encourage discussions among students to enhance their understanding and application of concepts. This activity aims to reinforce the practical application of financial derivative theories.
Closure	<ol style="list-style-type: none"> Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve (5 minutes). Encourage students to ask questions for clarification.



	<p>3. Mention that there will be an evaluation through a quiz to assess their understanding.</p> <p>4. Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 31 to 33</p>
Evaluation	Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)



Lesson Plan No. 08	Course Name: Financial Derivatives Topic: Financial Futures Contracts and its types (Interest Rate Futures, Foreign Currencies Futures, Stock Index Futures, Bond Index Futures, Cost of Living Index Futures)	Course No.: MBA- 422
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Objectives	At the end of the lesson the student shall be able to: a. Understand the concept of financial futures contracts. b. Identify and differentiate between different types of financial futures contracts. c. Apply knowledge of financial futures contracts to real-world scenarios.
Teaching Aids (if any)	a. PowerPoint presentation b. Whiteboard and markers
Teaching Development	1. Introduction (5 minutes) - Briefly introduce the concept of derivatives and their role in financial markets. - Prior Knowledge Check: Ask students questions to gauge their understanding of future derivatives, Indian markets, and risk management. 2. Development (25 minutes) - Define Financial Futures Contracts and explain their key features like standardization, exchange trading, margin requirements, and settlement procedures. - Discuss the role of clearinghouses in guaranteeing contract fulfillment. Types of Financial Futures Contracts: - Interest Rate Futures: Explain how interest rate futures contracts are used to hedge against interest rate fluctuations. - Foreign Currency Futures: Explain how currency futures contracts are used to manage foreign exchange risk. - Stock Index Futures: Explain how stock index futures contracts are used to hedge against portfolio risk or speculate on market movements. - Bond Index Futures: Introduce bond index futures as a way to manage risk associated with bond portfolios. - Cost of Living Index Futures: Briefly explain cost of living index futures as a tool for managing inflation risk. 3. Activity (10 minutes): - Divide students into small groups and ask them to discuss on Myth no. 3 - “The enormous size of the financial derivatives market dwarfs



	bank capital, thereby making derivatives trading an unsafe and unsound banking practice”
Closure	Spend 5 minutes to wrap up and consolidate the learnings <ol style="list-style-type: none">1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve.2. Encourage students to ask questions for clarification.3. Mention that there will be an evaluation through a quiz to assess their understanding.4. Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 35 to 38
Evaluation	Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)



Lesson Plan No. 09	Course Name: Financial Derivatives Topic: Functions of the Futures Market	Course No.: MBA-422
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Objectives	At the end of the lesson the student shall be able to: <ol style="list-style-type: none"> Understand the key functions of the futures market: Hedging, Price Discovery, Financial Function, Liquidity Function, Price Stabilization, and Disseminating Information. Analyse the importance of each function for different market participants. Evaluate the impact of futures markets on the overall financial system.
Teaching Aids (if any)	<ol style="list-style-type: none"> PowerPoint presentation Whiteboard and markers
Teaching Development	<ol style="list-style-type: none"> Introduction (5 minutes) <ul style="list-style-type: none"> Brief Introduction: Begin by providing a brief overview of futures markets, including their structure, basic features, and trading mechanisms. Ask students questions to gauge their understanding of futures contracts and previous knowledge of hedging concepts. Motivational Question: Pose a scenario where a farmer is concerned about volatile corn prices. Introduce the concept of hedging using futures contracts and explain how it could benefit the farmer. Development (30 minutes) Functions of Financial Futures Contracts: <ul style="list-style-type: none"> Hedging: Explain how futures contracts can be used to reduce risk by locking in prices in advance. Price Discovery: Explain how the futures market acts as a mechanism for price discovery through continuous buying and selling. Financial Function: Explain how futures contracts can be used to leverage investments and speculate on price movements. Liquidity Function: Explain how the futures market provides liquidity for underlying assets, especially for those that are not readily tradable in the spot market. Price Stabilization Function: Explain how futures contracts can help stabilize prices by absorbing shocks and smoothing out price fluctuations. Disseminating Information: Explain how the futures market serves as a platform for disseminating information about underlying assets and market expectations Exercise (5 minutes) – <ul style="list-style-type: none"> Divide students into small groups and ask them to discuss on Myth no. 4 “Only large multinational corporations and large banks have a



	purpose for using derivatives”
Closure	<p>Spend 5 minutes to wrap up and consolidate the learnings:</p> <ol style="list-style-type: none">1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve.2. Encourage students to ask questions for clarification.3. Mention that there will be an evaluation through a quiz to assess their understanding.4. Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 41 to 445. https://www.wallstreetmojo.com/futures-market/
Evaluation	<p>Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)</p>



Lesson Plan No. 10	Course Name: Financial Derivatives Topic: Specifications of the Futures Contract- Exchanges and Standardization	Course No.: MBA- 422
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Objectives	At the end of the lesson the student shall be able to: <ul style="list-style-type: none"> a. Understand the key features and specifications of a futures contract. b. Identify the role of exchanges in standardizing futures contracts. c. Explain the importance of standardization for market efficiency and liquidity
Teaching Aids (if any)	<ul style="list-style-type: none"> a. PowerPoint presentation b. Whiteboard and markers
Teaching Development	<ol style="list-style-type: none"> 1. Introduction (5 minutes) <ul style="list-style-type: none"> - Begin by introducing the concept of futures contracts as a derivative instrument used for risk management and price discovery. Briefly mention the basic structure of a futures contract, including the underlying asset, delivery date, settlement price, and margin requirements. - Ask students a few questions to gauge their understanding of related concepts, such as derivatives, risk management, and exchange-traded instruments. This helps tailor the lecture to their level and identify any knowledge gaps. 2. Development (30 minutes) <ul style="list-style-type: none"> - Role of Exchanges: Discuss the role of exchanges in standardizing futures contracts. Explain how exchanges: <ul style="list-style-type: none"> - Establish common contract specifications for each asset - Set trading hours and margins - Clear and settle trades - Ensure market transparency and fairness - Benefits of Standardization: Highlight the benefits of standardization for market participants, such as: <ul style="list-style-type: none"> - Increased liquidity and market depth - Reduced transaction costs - Improved risk management - Enhanced transparency and price discovery. 3. Exercise (5 minutes) – <ul style="list-style-type: none"> - Divide students into small groups and ask them to discuss on Myth no. 4 “Financial derivatives are simply the latest risk-management fad”
Closure	<ol style="list-style-type: none"> 1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve (5 minutes). 2. Encourage students to ask questions for clarification. Mention that there will be an evaluation through a quiz to assess <p>Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited.</p>



	Edition 2nd (2005) Page No.: 51 to 56 - Futures Contracts": https://www.cmegroup.com/education/courses/introduction-to-futures/definition-of-a-futures-contract.html
Evaluation	Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)



Lesson Plan No. 11	Course Name: Financial Derivatives Topic: Clearing House	Course No.: MBA-422
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Objectives	At the end of the lesson the student shall be able to: <ul style="list-style-type: none"> a. Define and explain the role of a Clearing House in the derivatives market. b. Discuss the key functions and services provided by a Clearing House. c. Analyse the importance of a Clearing House in mitigating risk and enhancing market efficiency.
Teaching Aids (if any)	<ul style="list-style-type: none"> a. PowerPoint presentation b. Whiteboard and markers
Teaching Development	<p>1. Introduction (5 minutes)</p> <ul style="list-style-type: none"> - Begin with a real-world example of a derivatives market gone wrong, such as the Lehman Brothers collapse. Ask students how such situations could be prevented. - Prior Knowledge Check: Briefly review the concept of derivatives and their role in financial markets. Ask students if they have heard of a Clearing House and what they know about its function. <p>2. Development (30 minutes)</p> <ul style="list-style-type: none"> - Definition and Role: Define a Clearing House and explain its role as an intermediary between buyers and sellers of derivatives contracts. Emphasize its function of guaranteeing contract fulfillment and reducing counterparty risk. - Key Functions: Discuss the following key functions of a Clearing House: <ul style="list-style-type: none"> - Central counterparty: Acting as the buyer to every seller and the seller to every buyer, eliminating bilateral risk. - Margin collection and risk management: Setting and collecting margins to ensure sufficient funds for potential losses. - Settlement and netting: Facilitating the settlement of contracts and netting out offsetting positions to reduce transaction costs. - Dispute resolution: Providing a mechanism for resolving disputes between market participants. - Benefits of a Clearing House: Explain the importance of a Clearing House in: <ul style="list-style-type: none"> - Mitigating risk: Reducing counterparty risk, systemic risk, and operational risk. - Enhancing market efficiency: Increasing liquidity, transparency, and standardization. - Promoting market stability: Providing a safety net for the financial system.



	<p>3. Activity (5 minutes) –</p> <ul style="list-style-type: none">- Divide students into small groups and ask them to discuss on Myth no. 5- “Financial derivatives are simply the latest risk-management fad”
Closure	<ol style="list-style-type: none">1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve (5 minutes).2. Encourage students to ask questions for clarification.3. Mention that there will be an evaluation through a quiz to assess their understanding.
Evaluation	Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)



Lesson Plan No. 12	Course Name: Financial Derivatives Topic: Concept and Types of Margins: Initial Margin, Variation Margin, Maintenance Margin	Course No.: MBA-422
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Objectives	At the end of the lesson the student shall be able to: <ul style="list-style-type: none"> a. Define and explain the concept of margins in derivatives trading. b. Differentiate between initial margin, variation margin, and maintenance margin. c. Understand the role of margins in risk management and market stability.
Teaching Aids (if any)	<ul style="list-style-type: none"> a. PowerPoint presentation b. Whiteboard and markers
Teaching Development	<p>1. Introduction (5 minutes)</p> <ul style="list-style-type: none"> - Briefly introduce the concept of financial derivatives and their role in risk management. - Ask students to recall their understanding of margin in other financial contexts (e.g., securities trading). - Pose the question: "What are the different types of margins used in derivatives trading, and how do they ensure stability?" <p>2. Development (30 minutes)</p> <ul style="list-style-type: none"> - Concept of Margins: - Explain the rationale for using margins in derivatives trading. - Highlight the role of margins in protecting both buyers and sellers from counterparty risk. - Types of Margins: Initial Margin (IM): - Define IM as the upfront deposit required to open a derivatives position. - Explain its role in mitigating counterparty risk and ensuring good faith performance. - Discuss the calculation of IM based on notional value, underlying asset price, and exchange-set risk factors. - Variation Margin (VM): - Define VM as the daily adjustment to reflect changes in the value of the underlying asset. - Explain the concept of "marking to market" and how VM maintains exposure neutrality. - Illustrate VM calculation with an example using a simple derivatives contract (e.g., call option). - Maintenance Margin (MM): - Define MM as the minimum level of IM that must be maintained to avoid a margin call. - Explain the consequences of a margin call (e.g., forced liquidation, additional deposits). - Discuss factors influencing MM levels, including volatility, liquidity, and creditworthiness of counterparties.



	<p>3. Exercise (5 minutes) –</p> <ul style="list-style-type: none">- Divide students into small groups and ask them to discuss on Myth no. 6 “Derivatives take money out of productive processes and never put anything back”
Closure	<p>Spend 5 minutes to wrap up and consolidate the learning.</p> <ol style="list-style-type: none">1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve.2. Encourage students to ask questions for clarification. Mention that there will be an evaluation through a quiz to assess their understanding. <ul style="list-style-type: none">- Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 58 to 59- Types of Margins: https://fastercapital.com/keyword/margin-types.html
Evaluation	<p>Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)</p>



Lesson Plan No. 13	Course Name: Financial Derivatives Topic: Settlement/ Closing a Futures Position	Course No.: MBA-422
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Objectives	At the end of the lesson the student shall be able to: <ol style="list-style-type: none"> Understand the different methods of closing a futures position. Differentiate between physical delivery, cash settlement, offsetting, and Exchange of futures for physicals (EFP). Analyse the advantages and disadvantages of each closing method.
Teaching Aids (if any)	<ol style="list-style-type: none"> PowerPoint presentation Whiteboard and markers
Teaching Development	<ol style="list-style-type: none"> Introduction (5 minutes) <ul style="list-style-type: none"> Briefly introduce the concept of futures contracts and their role in risk management. Ask students to recall the mechanics of entering a futures position (buying or selling). Introduce the topic of settlement and its importance in closing a futures position. Development (30 minutes) <ul style="list-style-type: none"> Physical Delivery: <ul style="list-style-type: none"> Explain the process of physical delivery, including the delivery notice, delivery point, and grade specifications. Provide examples of commodities commonly settled through physical delivery (e.g., agricultural products, metals). Cash Settlement/Delivery: <ul style="list-style-type: none"> Explain the concept of cash settlement, where the contract is settled by a cash payment based on the difference between the futures price and the underlying asset price at expiry. Provide examples of contracts that are typically settled in cash (e.g., stock index futures, interest rate futures). Offsetting: <ul style="list-style-type: none"> Explain how a futures position can be closed by entering an offsetting position of the opposite type (e.g., buying to close a short position or selling to close a long position). Exchange of Futures for Physicals (EFP): <ul style="list-style-type: none"> Explain the concept of EFP, where a futures contract is exchanged for the underlying physical asset. Provide examples of how EFP is used in practice. Activity (5 minutes) – <ul style="list-style-type: none"> Divide students into small groups and ask them to discuss on Myth no. 7 “Only risk seeking organizations should use derivatives”.
Closure	<ol style="list-style-type: none"> Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve (5 minutes).



	<p>2. Encourage students to ask questions for clarification.</p> <p>3. Mention that there will be an evaluation through a quiz to assess their understanding.</p> <p>Suggested readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 63 to 64</p> <p>Types of Margins: https://fastercapital.com/keyword/margin-types.html</p> <p>Video Link: How To Trade Futures Contracts [Full & Live Explanation] Trading Tutorials - This video provides a comprehensive explanation of trading futures contracts, which may include information on closing or settling a futures position. https://www.youtube.com/watch?v=sJELO5PGY00</p>
Evaluation	Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)



Lesson Plan No. 14	Course Name: Financial Derivatives Topic: Financial Futures Contracts (Practical Problems 1 to 11) Textbook: Financial Derivatives Theory Concepts and Problems by S. L. Gupta (Edition 2nd, 2005) Pages: 66 to 69	Course No.: MBA-422
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Objectives	At the end of the lesson the student shall be able to: <ol style="list-style-type: none"> To understand and apply practical problems related to Financial Futures Contracts. To enhance problem-solving skills in the context of financial derivatives. To engage students through interactive activities to reinforce concepts.
Teaching Aids (if any)	<ol style="list-style-type: none"> PowerPoint presentation Whiteboard and markers
Teaching Development	<ol style="list-style-type: none"> Introduction (5 minutes) <ul style="list-style-type: none"> Briefly introduce the topic of Financial Futures Contracts. Ask open-ended questions to assess students' prior knowledge. Emphasize the importance of practical problem-solving in understanding financial derivatives. Development (30 minutes) <ul style="list-style-type: none"> Discuss and solve Practical Problems 1 to 11 from the textbook (S. L. Gupta). Encourage active participation and interaction during problem-solving. Provide explanations, insights, and alternative approaches to problem solutions. Relate the problems to real-world scenarios to enhance practical understanding. Exercise (5 minutes) – <ul style="list-style-type: none"> Conduct a short case study or scenario-based practical problems related to Financial Futures Contracts. Divide students into small groups and ask them to analyze and propose solutions. Facilitate discussions within each group and encourage critical thinking. Briefly share the group findings with the entire class
Closure	<ol style="list-style-type: none"> Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve (5 minutes). Encourage students to ask questions for clarification. Mention that there will be an evaluation through a quiz to assess <p>Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited.</p>



	Edition 2nd (2005) Page No.: 66 to 69
Evaluation	Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)



Lesson Plan No. 15	Course Name: Financial Derivatives Topic: Forward Contracts- Concept, Features of Forward Contract, Main Distinctions Between Futures and Forward Contracts	Course No.: MBA-422
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Objectives	At the end of the lesson the student shall be able to: <ol style="list-style-type: none"> Define forward contracts and explain their basic concept. Identify the key features and characteristics of forward contracts. Differentiate between forward contracts and futures contracts, highlighting the main distinctions.
Teaching Aids (if any)	<ol style="list-style-type: none"> PowerPoint presentation Whiteboard and markers
Teaching Development	<ol style="list-style-type: none"> Introduction (5 minutes) <ul style="list-style-type: none"> Briefly introduce the concept of forward contracts. Ask students to recall their understanding of derivative instruments. Pose questions like: <ul style="list-style-type: none"> What are the main functions of derivatives? Have you encountered any examples of derivatives in real life? What are some common risks in financial markets? Development (30 minutes) <ul style="list-style-type: none"> Define forward contracts in detail. Explain how they involve a customized agreement between two parties to buy or sell an asset at a predetermined price and future date. Discuss the key features of forward contracts: <ul style="list-style-type: none"> Customization: Tailored to specific needs and requirements. Over-the-counter (OTC): Traded privately between two parties, not on an exchange. No margin requirements: Unlike futures, no initial margin is needed. Legal enforceability: Enforced through contractual obligations. Compare and contrast forward contracts with futures contracts. Use a table or diagram to highlight the main differences, such as standardization, trading venue, margin requirements, and counterparty risk. Provide real-world examples of how forward contracts are used in different industries. For instance, farmers using forward contracts to lock in a price for their crops or airlines using them to hedge against fuel price fluctuations. Activity (5 minutes) – <ul style="list-style-type: none"> Divide students into small groups and ask them to discuss on Myth no. 8 The risks associated with financial derivatives are



	<p>new and unknown”.</p> <p>Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 73-78</p> <p>Forward Contracts: https://corporatefinanceinstitute.com/resources/derivatives/forward-contract/</p> <p>Video Link: The video linked in the question discusses the differences between futures and forward contracts. https://www.youtube.com/watch?v=3bPRN_GhHiY</p>
Closure	<p>Spend 5 minutes to wrap up and consolidate the learning</p> <ol style="list-style-type: none">1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve.2. Encourage students to ask questions for clarification. <p>Mention that there will be an evaluation through a quiz to assess their understanding.</p>
Evaluation	<p>Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)</p>



Lesson Plan No. 16	Course Name: Financial Derivatives Topic: Classification of Forward Contracts	Course No.: MBA-422
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Objectives	At the end of the lesson the student shall be able to: <ul style="list-style-type: none"> a. Differentiate different types of other Forward Contracts. b. Categorize forward contracts based on underlying assets: commodities, currencies, interest rates, and others. c. Understand the specific features and uses of each type of forward contract, including Forward Rate Agreements (FRAs) and Range Forwards.
Teaching Aids (if any)	<ul style="list-style-type: none"> a. PowerPoint presentation b. Whiteboard and markers
Teaching Development	<p>1. Introduction (5 minutes)</p> <ul style="list-style-type: none"> - Briefly introduce the topic of forward contracts and their role in managing financial risk. - Ask students questions to gauge their understanding of derivatives and common underlying assets. (What are underlying assets like commodities, currencies, interest rates? What are the specific features and uses of forward contract?) <p>2. Development (30 minutes)</p> <ul style="list-style-type: none"> - Forward Contracts in Different Asset Classes: - Commodities: Highlight the use of forward contracts in hedging price fluctuations in agricultural products, energy, and metals. - Foreign Currencies: Explain how forward contracts help manage exchange rate risk for businesses and individuals engaged in international trade. - Interest Rates: Discuss the use of forward contracts to lock in future interest rates and manage interest rate risk. - Special Forward Contracts: - Forward Rate Agreements (FRAs): Explain the mechanics of FRAs and their role in managing interest rate risk between two future dates. - Range Forwards: Discuss the concept of range forwards and their use in profiting from price movements within a specific range. <p>3. Exercise (5 minutes) –</p> <ul style="list-style-type: none"> - Divide students into small groups and ask them to discuss on Myth no.9“Because of the risks associated with derivatives banking regulators should ban their use by any institution covered by federal deposit insurance”
Closure	1. Summarize the key points of the lesson, emphasizing the objectives



	<p>that students were expected to achieve (5 minutes).</p> <ol style="list-style-type: none">2. Encourage students to ask questions for clarification.3. Mention that there will be an evaluation through a quiz to assess their understanding.
Evaluation	Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)



Lesson Plan No. 17	Course Name: Financial Derivatives Topic: Forward Trading Mechanism (Concept of Forward Price, Determination of Forward Prices, Assumptions and Notations, Forward Price for Investment Assets(securities), Valuing Forward Contracts)	Course No.: MBA-422
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Objectives	At the end of the lesson the student shall be able to: <ol style="list-style-type: none"> Understand the concept of Forward Price and its role in mitigating price risk. Explain the factors influencing the determination of Forward Prices and their relationship to spot prices. Apply financial concepts to value Forward Contracts for investment assets (securities).
Teaching Aids (if any)	<ol style="list-style-type: none"> PowerPoint presentation Whiteboard and markers
Teaching Development	<ol style="list-style-type: none"> Introduction (5 minutes) <ul style="list-style-type: none"> Briefly introduce the concept of Forward contracts and their usage in managing market risk. Ask students to recall existing knowledge on spot prices, interest rates, and financial markets. Briefly discuss the difference between Forward and Future contract. Development (30 minutes) <ul style="list-style-type: none"> Concept of Forward Price: Define the forward price as the agreed-upon price for an asset to be delivered at a future date. Explain the difference between spot and forward prices, highlighting the role of interest rates and cost of carry. Determination of Forward Prices: Explain the factors that influence forward prices, including: <ul style="list-style-type: none"> Spot price: The current market price of the underlying asset. Interest rates: The cost of borrowing money to finance the asset until the delivery date. Cost of carry: Storage, insurance, and other expenses associated with holding the asset until delivery. Market expectations: The market's prediction of the future spot price of the asset. Assumptions and Notations: Introduce the key assumptions underlying forward contracts (e.g., no default, no early settlement) and explain the notations used for forward prices. Forward Prices for Securities: Discuss how forward pricing applies to different types of securities like stocks, bonds, and currencies. Explain the concept of forward basis and its relationship to interest rates and dividends.



	<ul style="list-style-type: none">- Valuing Forward Contracts: Explain how to value a forward contract based on the current spot price, interest rates, and cost of carry. Present relevant formulas and demonstrate their application with examples. <p>3. Activity (5 minutes) –</p> <ul style="list-style-type: none">- Compose a brief summary or response to today's lecture in the style of a "Two Minute Paper" activity. Please keep it concise and aim for completion within two minutes.
Closure	<p>Spend 5 minutes to wrap up and consolidate the learning</p> <ol style="list-style-type: none">1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve.2. Encourage students to ask questions for clarification. Mention that there will be an evaluation through a quiz to assess their understanding. <ul style="list-style-type: none">- Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 80-86- Video Link: The provided link is to a YouTube video titled "Forward contract introduction Finance & Capital Markets Khan Academy" https://www.youtube.com/watch?v=H9UEZdAnnt8
Evaluation	<p>Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)</p>



Lesson Plan No. 18	Course Name: Financial Derivatives Topic: Forward Prices Versus Futures Prices, Gain on Long and Short Position Contract	Course No.: MBA- 422
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Objectives	At the end of the lesson the student shall be able to: <ol style="list-style-type: none"> Differentiate between forward and futures contracts in terms of their characteristics and trading mechanisms. Explain the factors influencing the relationship between forward and futures prices. Calculate gains and losses on long and short positions in forward and futures contracts.
Teaching Aids (if any)	<ol style="list-style-type: none"> PowerPoint presentation Whiteboard and markers
Teaching Development	<ol style="list-style-type: none"> Introduction (5 minutes) <ul style="list-style-type: none"> Briefly introduce the topic of forward and futures contracts, highlighting their importance in managing financial risk. Ask review questions to assess students' existing knowledge: <ul style="list-style-type: none"> What are derivatives? How are forwards and futures used for hedging? What are the key differences between the spot and derivatives markets? Development (30 minutes) <ul style="list-style-type: none"> Differentiate Forward and Futures Contracts: <ul style="list-style-type: none"> Define each contract type, explaining their key features (contract terms, standardization, margin requirements, trading venues). Use real-world examples to illustrate the practical applications of each. Compare and contrast their trading mechanisms (over-the-counter vs. exchange-traded). Relationship Between Forward and Futures Prices: <ul style="list-style-type: none"> Introduce the concept of convergence of forward and futures prices towards the underlying asset price at expiry. Explain the role of cost of carry (interest rates, storage costs) in determining the spread between forward and futures prices. Use diagrams and numerical examples to illustrate the relationship visually. Gains on Long and Short Positions: <ul style="list-style-type: none"> Explain the concept of profit and loss based on long and short positions in both forward and futures contracts. Derive formulas for calculating profit/loss based on price changes and contract specifications. <p>Solve practice problems with varying price scenarios and contract types.</p> Exercise (5 minutes) – <ul style="list-style-type: none"> Divide students into pairs and assign them different positions



	<p>(long/short forward/futures) in a hypothetical scenario.</p> <ul style="list-style-type: none">- Ask them to calculate their potential gains/losses under different assumed price movements at expiry.- Facilitate a class discussion on the factors influencing their positions and hedging strategies.
Closure	<p>Summarize the Lesson Learning Outcomes and get affirmation from students on these (5 minutes).</p> <ol style="list-style-type: none">1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve.2. Encourage students to ask questions for clarification. <p>Mention that there will be an evaluation through a quiz to assess their understanding.</p> <p>Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 86-89</p> <p>Video Link: A link to a YouTube video on the topic of Forward Prices Versus Futures Prices, Gain on Long and Short Position Contract: https://www.youtube.com/watch?v=b8TyJgjmXHs</p>
Evaluation	<p>Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)</p>



Lesson Plan No. 19	Course Name: Financial Derivatives Topic: Payoff from the Forward Contracts	Course No.: MBA-422
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Objectives	At the end of the lesson the student shall be able to: <ul style="list-style-type: none"> a. Explain the concept of forward contracts and their key characteristics. b. Calculate the payoff for long and short positions in forward contracts at maturity. c. Analyse the factors affecting the payoff of forward contracts.
Teaching Aids (if any)	<ul style="list-style-type: none"> a. PowerPoint presentation b. Whiteboard and markers
Teaching Development	<p>1. Introduction (5 minutes)</p> <ul style="list-style-type: none"> - Explain the concept of forward contracts and their key characteristics. - Calculate the payoff for long and short positions in forward contracts at maturity. - Analyze the factors affecting the payoff of forward contracts. <p>2. Development (30 minutes)</p> <ul style="list-style-type: none"> - Mechanics of Forward Contracts: <ul style="list-style-type: none"> - Explain the mechanics of entering into a long and short forward contract, specifying the obligations of each party. - Illustrate the forward contract with a real-world example (e.g., agricultural commodities). - Introduce the concept of settlement at maturity and the calculation of profit/loss based on the difference between the contracted forward price and the spot price at maturity. - Payoff Calculations: <ul style="list-style-type: none"> - Derive the formulas for calculating the payoff for long and short forward contracts at maturity. - Use clear examples with numbers to demonstrate the calculations for both positions. - Emphasize the positive/negative payoff based on the contract position and market movements. - Factors Affecting Payoff: <ul style="list-style-type: none"> - Discuss the factors that can influence the payoff of forward contracts, such as changes in spot price, interest rates, and time to maturity. - Explain how these factors can affect the profitability of each contract position. - Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 89-90 - Video Link: A YouTube video link that explains the payoff



	<p>from forward contracts: https://www.youtube.com/watch?v=eXJuMs_NyFI.</p> <p>3. Activity (5 minutes)</p> <ul style="list-style-type: none">- Divide students into pairs and assign them different positions (long/short forward/futures) in a hypothetical scenario.- Ask them to calculate their potential gains/losses under different assumed price movements at expiry. <p>Facilitate a class discussion on the factors influencing their positions and hedging strategies.</p>
Closure	<p>Spend 5 minutes to wrap up and consolidate the learnings</p> <ol style="list-style-type: none">1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve.2. Encourage students to ask questions for clarification. <p>Mention that there will be an evaluation through a quiz to assess their understanding.</p> <p>Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 86-89</p> <p>Video Link: A link to a YouTube video on the topic of Forward Prices Versus Futures Prices, Gain on Long and Short Position Contract: https://www.youtube.com/watch?v=b8TyJgjmXHs</p>
Evaluation	<p>Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)</p>



Lesson Plan No. 20	Course Name: Financial Derivatives Topic: 20. Forward Contract (Derivatives) Practical Problems 1-10 Textbook: Financial Derivatives Theory Concepts and Problems by S. L. Gupta (Edition 2nd, 2005) Pages: 93 to 97	Course No.: MBA-422
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Objectives	At the end of the lesson the student shall be able to: a. Understand the concept and function of currency swaps. b. Identify the different types of currency swaps and their applications. c. Explain the basic principles of valuing currency swaps.
Teaching Aids (if any)	a. PowerPoint presentation b. Whiteboard and markers
Teaching Development	1. Introduction (5 minutes): - Briefly introduce the concept of forward contracts and their role in financial derivatives markets. - Ask questions to gauge students' prior knowledge of derivatives and risk management. 2. Development (30 minutes): - Review of key concepts: Briefly discuss the basic features of forward contracts, including: - Contract terms (delivery date, underlying asset, price) - Long and short positions - Settlement mechanisms - Margin requirements - Solving practical problems: Guide students through solving problems 1-10 from the textbook, covering various scenarios and asset classes (currencies, commodities, interest rates). - Encourage group discussions and peer learning. - Focus on explaining the rationale behind each step in the solution process. - Applications and limitations: - Provide real-world examples of how companies and individuals utilize forward contracts. - Discuss alternative risk management strategies. 3. Activity (5 minutes): - Divide students into small groups and assign each group a different problem from the textbook. - Groups have 5 minutes to solve their assigned problem and present their solutions to the class. This can be a fun way to reinforce learning and encourage active participation.
Closure	Spend 5 minutes to wrap up and consolidate the learnings 1. Summarize the key points of the lesson, emphasizing the



	<p>objectives that students were expected to achieve.</p> <p>2. Encourage students to ask questions for clarification. Mention that there will be an evaluation through a quiz to assess their understanding.</p> <p>Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 93 to 97</p>
Evaluation	Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)



Lesson Plan No. 21	Course Name: Financial Derivatives Topic: Financial Swaps: Concept and features of swaps	Course No.: MBA-422
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Objectives	At the end of the lesson the student shall be able to: <ul style="list-style-type: none"> a. Define swaps and identify their key features. b. Explain the different types of swaps and their applications. c. Analyse the risks and benefits of using swaps in financial strategy
Teaching Aids (if any)	<ul style="list-style-type: none"> a. PowerPoint presentation b. Whiteboard and markers
Teaching Development	<ol style="list-style-type: none"> 1. Introduction (5 minutes) <ul style="list-style-type: none"> - Brief Intro: Start by asking students what they know about financial derivatives and introduce swaps as a specific type. - Previous Knowledge Check: Quickly ask a few questions to gauge their understanding of basic financial concepts like interest rates, cash flows, and risk management. 2. Development (30 minutes) <ul style="list-style-type: none"> - Definition & Features: - Explain the fundamental concept of swaps as contracts to exchange cash flows from different financial instruments. - Discuss key features of swaps like notional principal, payment schedules, fixed vs. floating rates, and customization options. - Types of Swaps: - Introduce and explain the following common types of swaps: <ul style="list-style-type: none"> - Interest Rate Swaps (IRS): fixed-to-floating, floating-to-fixed, basis swaps - Currency Swaps - Equity Swaps - Commodity Swaps - Credit Default Swaps (CDS) - Briefly touch upon exotic swaps as an extension. - Applications: - Highlight how swaps are used for: <ul style="list-style-type: none"> - Hedging interest rate, currency, equity, and credit risks - Speculating on interest rates, currencies, and commodity prices - Adjusting financing costs and tailoring cash flows - Arbitrage and enhancing portfolio return 3. Activity (5 minutes) – <ul style="list-style-type: none"> - Swap Simulation: Divide students into pairs and assign each pair a different type of swap scenario. Ask them to analyze the scenario, determine the motivations of each party, and identify potential risks and benefits.
Closure	Spend 5 minutes to wrap up and consolidate the learnings



	<ol style="list-style-type: none">1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve.2. Encourage students to ask questions for clarification. Mention that there will be an evaluation through a quiz to assess their understanding. <p>Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 407-411</p> <p>Video Link: A link to a Khan Academy video that explains the concept and features of financial swaps: https://www.khanacademy.org/economics-finance-domain/core-finance/derivative-securities/interest-rate-swaps-tut/v/interest-rate-swap-1</p>
Evaluation	Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)



Lesson Plan No. 24	Course Name: Financial Derivatives Topic: Interest Rate swaps - Concept, features, types (Plain Vanilla Swap, Zero Coupon to Floating, Alternative Floating rate, floating to floating, forward swap, rate capped swap, swaptions, extendable swap, equity swap, Amortizing swap, at Market and off Market Swaps, Leveraged swap and valuation of Interest Rate Swaps	Course No.: MBA-422
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Objectives	At the end of the lesson the student shall be able to: <ol style="list-style-type: none"> Explain the concept and key features of interest rate swaps. Identify different types of interest rate swaps and their applications. Discuss basic valuation principles for interest rate swaps.
Teaching Aids (if any)	<ol style="list-style-type: none"> PowerPoint presentation Whiteboard and markers
Teaching Development	<ol style="list-style-type: none"> 1. Introduction (5 minutes) <ul style="list-style-type: none"> Begin by briefly introducing the concept of interest rate swaps as a tool for managing interest rate risk. Ask students the following questions to assess their prior knowledge: <ul style="list-style-type: none"> What are the different types of interest rate risks faced by borrowers and lenders? Have you heard of any financial instruments used to manage interest rate risk? Do you have any experience with derivatives in general? 2. Development (30 minutes) <ul style="list-style-type: none"> Concept and Features (10 minutes): <ul style="list-style-type: none"> Define interest rate swaps as private agreements to exchange fixed and floating interest rate payments on a notional principal amount. Explain the key features of swaps, including: <ul style="list-style-type: none"> Notional principal (face value) Fixed and floating rate legs Payment frequency and tenor Net settlement Credit risk considerations Types of Interest Rate Swaps (10 minutes): <ul style="list-style-type: none"> Discuss the following types of swaps and their applications: <ul style="list-style-type: none"> Plain vanilla swap (fixed-to-floating, floating-to-fixed, floating-to-floating) Zero-coupon swap Forward swap Rate-capped swap Swaptions



	<ul style="list-style-type: none"> - Extendable swap - Equity swap - Amortizing swap - Valuation (10 minutes): - Introduce the concept of swap valuation and its importance in managing risk and pricing swaps. - Briefly explain the discounted cash flow (DCF) approach to swap valuation using present value. - Emphasize the role of interest rate curves and credit spreads in valuation. 3. Activity (5 minutes) - Divide students into small groups and present them with case scenarios involving different types of interest rate swaps. - Ask them to identify the swap type used, explain its purpose, and discuss the potential benefits and risks for each party involved.. <p>Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 411-421</p> <p>Video Link: A YouTube video that explains interest rate swaps, including their concept, features, types, and valuation. The video is titled "Interest Rate Swaps Explained" and can be found at the following link:https://www.youtube.com/watch?v=DrIKjSG1V6s</p>
Closure	<p>Spend 5 minutes to wrap up and consolidate the learnings</p> <ol style="list-style-type: none"> 1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve. 2. Encourage students to ask questions for clarification. <p>Mention that there will be an evaluation through a quiz to assess their understanding.</p>
Evaluation	<p>Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)</p>



Lesson Plan No. 23	Course Name: Financial Derivatives Topic: Currency swaps - Concept, features, types (fixed- to- fixed currency swap, Floating- to Floating swap, Fixed to Floating currency swap, Differential swaps, Cross Currency Swap) and valuation of Currency Swaps	Course No.: MBA-422
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Objectives	At the end of the lesson the student shall be able to: a. Understand the concept and function of currency swaps. b. Identify the different types of currency swaps and their applications. c. Explain the basic principles of valuing currency swaps.
Teaching Aids (if any)	a. PowerPoint presentation b. Whiteboard and markers
Teaching Development	1. Introduction (5 minutes) <ul style="list-style-type: none">- Start with a brief overview of derivatives and their role in risk management.- Ask students questions to gauge their understanding of forex markets and exchange rate risks.- Introduce the concept of currency swaps as a tool for managing those risks. 2. Development (30 minutes) <ul style="list-style-type: none">- Concept and Features of Currency Swaps (10 minutes):<ul style="list-style-type: none">- Define currency swaps and explain their key features, such as exchange of principal, interest rate payments, and notional amounts.- Highlight the advantages of using currency swaps, including hedging forex risk, accessing favorable interest rates, and diversifying portfolios.- Types of Currency Swaps (10 minutes):<ul style="list-style-type: none">- Explain the different types of currency swaps based on the interest rate structure:<ul style="list-style-type: none">- Fixed-to-fixed: Both legs have fixed interest rates.- Floating-to-floating: Both legs have floating interest rates (also known as basis swap).- Fixed-to-floating: One leg has fixed interest rate and the other has floating rate.- Differential swaps: Both legs have floating interest rates but based on different benchmark rates.- Discuss the specific uses and benefits of each type of swap.- Cross-Currency Swaps (10 minutes):<ul style="list-style-type: none">- Introduce the concept of cross-currency swaps, where interest and principal are exchanged in different currencies.- Compare and contrast cross-currency swaps with standard



	<p>currency swaps.</p> <ul style="list-style-type: none">- Emphasize the flexibility and customization options available in cross-currency swaps. <p>3. Activity (5 minutes) –</p> <ul style="list-style-type: none">- Divide students into pairs and give them a short case study involving a company facing currency exposure.- Ask them to identify the type of currency swap that would be most suitable for the company and explain their reasoning.- Briefly discuss the solutions as a class.
Closure	<p>Spend 5 minutes to wrap up and consolidate the learnings</p> <ol style="list-style-type: none">1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve.2. Encourage students to ask questions for clarification. <p>Mention that there will be an evaluation through a quiz to assess their understanding</p> <p>Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 421-426</p> <p>Video Link: YouTube video link that covers the topic SWAPs, including the valuation of currency swaps. https://www.khanacademy.org/economics-finance-domain/core-finance/derivative-securities/interest-rate-swaps-tut/v/interest-rate-swap-1</p>
Evaluation	<p>Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)</p>



Lesson Plan No. 24	Course Name: Financial Derivatives Topic: Debt- equity Swaps- Concept, features, types and valuation	Course No.: MBA- 422
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Objectives	At the end of the lesson the student shall be able to: <ul style="list-style-type: none"> a. Explain the basic concept and rationale behind debt-equity swaps. b. Identify the key features and benefits of debt-equity swaps for different stakeholders. c. Differentiate between various types of debt-equity swaps and their applications. d. Utilize basic methods for valuing debt-equity swaps.
Teaching Aids (if any)	<ul style="list-style-type: none"> a. PowerPoint presentation b. Whiteboard and markers
Teaching Development	<p>1. Introduction (5 minutes)</p> <ul style="list-style-type: none"> - Brief Introduction: Start by briefly introducing the concept of debt-equity swaps, highlighting their role in corporate finance and risk management. - Prior Knowledge Check: Ask students simple questions to gauge their understanding of related concepts like financial derivatives, capital structure, and corporate restructuring. This helps tailor the lesson to their needs <p>2. Development (30 minutes)</p> <ul style="list-style-type: none"> - Concept and Rationale: Explain the basic concept of debt-equity swaps, illustrating how companies exchange debt obligations for equity ownership. Discuss the motivations for companies to engage in debt-equity swaps, such as improving financial flexibility, reducing debt burden, and aligning ownership with control. - Features and Benefits: Discuss the key features of debt-equity swaps, including conversion price, swap ratio, trigger events, settlement date, and potential tax implications. Explain the benefits for different stakeholders: companies (reduced interest payments, improved financial ratios), investors (potential for equity appreciation), and creditors (reduced risk of default). - Types of Debt-Equity Swaps: Introduce and differentiate between various types of debt-equity swaps, including fixed-rate to equity swaps, floating-rate to equity swaps, contingent debt-equity swaps, and puttable swaps. Explain the specific characteristics and applications of each type <p>3. Activity (5 minutes) –</p> <ul style="list-style-type: none"> - Case Study: Present a short real-world case study of a company that successfully utilized a debt-equity swap. Divide students into small groups and ask them to analyze the case, identify the motivations and potential benefits, and discuss alternative solutions. This engages students in applying the concepts and



	fosters critical thinking. Student Academic Data (Hybrid Cloud)
Closure	<p>Spend 5 minutes to wrap up and consolidate the learning</p> <ol style="list-style-type: none">1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve.2. Encourage students to ask questions for clarification.3. Mention that there will be an evaluation through a quiz to assess their understanding. <p>Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 426-427</p> <p>Video Link : "How Debt-Equity Swaps Work" by Finance Explained - https://www.youtube.com/watch?v=RNPw9IrCoYg (10-minute video)</p>
Evaluation	Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)



Lesson Plan No. 25	Course Name: Financial Derivatives Topic: Financial Swaps (Derivatives) Practical Problems 1-7 (Pages 93-97, Textbook: Financial Derivatives Theory Concepts and Problems by S. L. Gupta, 2nd Edition, 2005)	Course No.: MBA-422
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Objectives	At the end of the lesson the student shall be able to: <ul style="list-style-type: none"> a) Apply theoretical understanding of financial swaps to solve practical problems. b) Calculate swap payments and net present values in different scenarios. c) Analyse the risks and benefits of using swaps for managing financial exposure
Teaching Aids (if any)	a. PowerPoint presentation b. Whiteboard and markers
Teaching Development	<p>1. Introduction (5 minutes)</p> <ul style="list-style-type: none"> - Briefly introduce the concept of financial swaps and their various types (interest rate swaps, currency swaps, commodity swaps, etc.). - Ask questions to gauge students' understanding of swap basics, key terms, and applications. - Briefly highlight the learning objectives for the session. <p>2. Development (30 minutes)</p> <ul style="list-style-type: none"> - Concept and Rationale: Explain the basic concept of debt-equity swaps, illustrating how companies exchange debt obligations for equity ownership. Discuss the motivations for companies to engage in debt-equity swaps, such as improving financial flexibility, reducing debt burden, and aligning ownership with control. - Features and Benefits: Discuss the key features of debt-equity swaps, including conversion price, swap ratio, trigger events, settlement date, and potential tax implications. Explain the benefits for different stakeholders: companies (reduced interest payments, improved financial ratios), investors (potential for equity appreciation), and creditors (reduced risk of default). - Types of Debt-Equity Swaps: Introduce and differentiate between various types of debt-equity swaps, including fixed-rate to equity swaps, floating-rate to equity swaps, contingent debt-equity swaps, and puttable swaps. Explain the specific characteristics and applications of each type - Key concepts: Explain the core components of swaps: counterparties, notional principal, fixed and floating rates, payments, and settlement dates. - Problem solving: Work through practical problems 1-7 from the textbook, step-by-step.



	<ul style="list-style-type: none">- Problem 1: Calculate the present value of a swap using the given formula and interest rates.- Problem 2: Analyze the impact of changing interest rates on the net present value of a swap.- Problem 3: Compare the cash flow profiles of a fixed-for-floating swap and a floating-for-fixed swap.- Problems 4-7: Continue solving similar problems with increasing complexity, covering cross-currency swaps, duration analysis, and hedging strategies.- Interactive learning: Encourage students to participate in the problem-solving process, ask questions, and clarify their doubts. <p>3. Activity (5 minutes)</p> <ul style="list-style-type: none">- Case study: Divide students into groups and present a real-world case study where a company uses swaps to manage their financial risks. Have students analyze the case and discuss the benefits and drawbacks of using swaps in this scenario. <p>Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 433-437</p> <p>Video Link : "Financial Swaps Explained" by Investopedia: https://m.youtube.com/watch?v=-aXRZ6xN3bk</p>
Closure	<p>Spend 5 minutes to wrap up and consolidate the learnings.</p> <ol style="list-style-type: none">1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve.2. Encourage students to ask questions for clarification. <p>Mention that there will be an evaluation through a quiz to assess their understanding.</p>
Evaluation	<p>Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)</p>



Lesson Plan No. 26	Course Name: Financial Derivatives Topic: Interest Rate swaps - Concept, features, types (Plain Vanilla Swap, Zero Coupon to Floating, Alternative Floating rate, floating to floating, forward swap, rate capped swap, swaptions, extendable swap, equity swap, Amortizing swap, at Market and off Market Swaps, Leveraged swap and valuation of Interest Rate Swaps)	Course No.: MBA-422
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Objectives	At the end of the lesson the student shall be able to: <ol style="list-style-type: none"> Define key options terminology (call option, put option, strike price, exercise price, expiration date, intrinsic value, time value). Explain the basic properties of options (leverage, limited risk, asymmetric payoff, early exercise). Apply the concept of options to real-world scenarios.
Teaching Aids (if any)	<ol style="list-style-type: none"> PowerPoint presentation Whiteboard and markers
Teaching Development	<ol style="list-style-type: none"> Introduction (5 minutes) <ul style="list-style-type: none"> Define key options terminology (call option, put option, strike price, exercise price, expiration date, intrinsic value, time value). Explain the basic properties of options (leverage, limited risk, asymmetric payoff, early exercise). Development (30 minutes) <ul style="list-style-type: none"> Options Terminology (10 minutes): <ul style="list-style-type: none"> Define key terms using the textbook and real-world examples (e.g., using a stock price movement to illustrate call and put options). Explain the relationship between strike price, exercise price, and expiration date. Discuss the concept of intrinsic value and time value. Basic Properties of Options (10 minutes): <ul style="list-style-type: none"> Explain the leverage provided by options compared to buying the underlying asset directly. Discuss the limited risk characteristic of options (maximum loss limited to premium paid). Explain the asymmetric payoff structure of options (unlimited profit potential, limited loss). Briefly mention early exercise and its implications. Real-world Applications (10 minutes): <ul style="list-style-type: none"> Present case studies or scenarios where options are used for hedging, speculation, income generation, etc. Encourage students to discuss the advantages and disadvantages of using options in each case. Emphasize the role of interest rate curves and credit spreads in



	<p>valuation.</p> <p>3. Activity(5 minutes)</p> <ul style="list-style-type: none">- Compose a brief summary or response to today's lecture in the style of a "Two Minute Paper" activity. Please keep it concise and aim for completion within two minutes..
Closure	<p>Spend 5 minutes to wrap up and consolidate the learnings</p> <ol style="list-style-type: none">1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve.2. Encourage students to ask questions for clarification. <p>Mention that there will be an evaluation through a quiz to assess their understanding.</p> <p>Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 475-484</p> <p>Video Link: "Options Basics" by Khan Academy: https://www.khanacademy.org/economics-finance-domain/core-finance/derivative-securities/put-call-options/v/american-call-options</p>
Evaluation	<p>Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)</p>



Lesson Plan No. 27	Course Name: Financial Derivatives Topic: Types of Options (call and put option, American and European options, Exchange-traded and OTC traded options)	Course No.: MBA- 422
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Objectives	At the end of the lesson the student shall be able to: <ul style="list-style-type: none"> a. Define and differentiate call and put options. b. Explain the key features of American and European options. c. Understand the differences between exchange-traded and over-the-counter (OTC) options.
Teaching Aids (if any)	<ul style="list-style-type: none"> a. PowerPoint presentation b. Whiteboard and markers
Teaching Development	<p>1. Introduction (5 minutes)</p> <ul style="list-style-type: none"> - Briefly introduce the topic of options as contracts that grant the right, but not the obligation, to buy or sell an underlying asset at a specific price by a certain date. - Ask questions to gauge students' prior knowledge of options: - What are some common types of underlying assets for options? - What is the difference between buying and selling an option? - What is the role of the strike price in an option contract? <p>2. Development (30 minutes)</p> <ul style="list-style-type: none"> - Call and Put Options (10 minutes): - Define call options as contracts giving the right to buy an asset at a predetermined price by a certain date. - Provide an example of a call option and explain its key features (strike price, expiration date, premium). - Define put options as contracts giving the right to sell an asset at a predetermined price by a certain date. - Provide an example of a put option and explain its differences from a call option. - American and European Options (10 minutes): - Explain that options can be exercised at different times: - American options can be exercised at any time before the expiration date. - European options can only be exercised on the expiration date. - Discuss the advantages and disadvantages of each type of option for buyers and sellers. - Use diagrams to illustrate the payoff diagrams of American and European call and put options. - Exchange-Traded and OTC Options (10 minutes): - Explain that options can be traded on regulated exchanges (exchange-traded) or privately between two parties (OTC). - Discuss the advantages and disadvantages of each type of market: - Exchange-traded options offer standardization, liquidity, and transparency.



	<ul style="list-style-type: none">- OTC options offer greater flexibility and customization but may have lower liquidity and higher transaction costs.- Provide examples of common types of exchange-traded and OTC options. <p>3. Activity (5 minutes):</p> <ul style="list-style-type: none">- Divide students into small groups and present them with a scenario involving an investor and an option contract.- Ask them to analyze the scenario and determine:<ul style="list-style-type: none">- What type of option is involved (call/put, American/European, exchange-traded/OTC)?- What are the potential risks and rewards for the investor?- What factors might influence the investor's decision to exercise or not exercise the option?
Closure	<ol style="list-style-type: none">1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve (5 minutes).2. Encourage students to ask questions for clarification. Mention that there will be an evaluation through a quiz to assess <ul style="list-style-type: none">- Suggested Readings : Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 479-483- "The Complete Guide to Options Trading: Strategies for Profit in Any Market" by Michael N. Kahn (PDF): https://archive.org/details/completeguidetoo00jame- Video Link: "Understanding Options" by Investopedia: https://m.youtube.com/watch?v=f7A7PTmBNH8
Evaluation	Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)



Lesson Plan No. 28	Course Name: Financial Derivatives Topic: Option valuation (intrinsic Value of the option and time Value of the option) Option Positions (A long position in a call option, A long position in put option, A short position in a call option, A short position in put option)	Course No.: MBA- 422
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Objectives	At the end of the lesson the student shall be able to: <ul style="list-style-type: none"> a. Analyse the difference between intrinsic and time value in option pricing. b. Identify and categorize different option positions based on their direction and payoff potential. c. Apply option valuation concepts to make informed trading decisions.
Teaching Aids (if any)	<ul style="list-style-type: none"> a. PowerPoint presentation b. Whiteboard and markers
Teaching Development	<ol style="list-style-type: none"> 1. Introduction (5 minutes) <ul style="list-style-type: none"> - Briefly introduce the concept of options and their role in financial markets. - Ask questions to gauge students' prior knowledge of options, including basic terminology and risk-reward profiles. - Highlight the importance of option valuation and position analysis for effective derivatives trading. 2. Development (30 minutes) <ul style="list-style-type: none"> - Intrinsic Value: <ul style="list-style-type: none"> - Define intrinsic value as the profit that could be realized by immediately exercising the option. - Explain the calculation of intrinsic value for call and put options using the strike price and underlying asset price. - Discuss how intrinsic value changes with the movement of the underlying asset price. - Time Value: <ul style="list-style-type: none"> - Explain time value as the premium paid for the potential for the option to become in-the-money before expiration. - Discuss factors affecting time value, including volatility, time to expiration, and interest rates. - Highlight the relationship between time value and intrinsic value. - Option Positions: <ul style="list-style-type: none"> - Introduce the concept of long and short positions in call and put options. - Explain the profit and loss potential for each position based on the underlying asset price movement.



	<p>- Discuss the risk-reward profiles associated with different positions and their suitability for different trading strategies.</p> <p>3. Activity (5 Minutes): Divide students into groups and present them with a scenario involving an option contract. Task each group to calculate the intrinsic and time value of the option and explain the potential profit/loss for different positions based on the scenario. Facilitate a discussion among groups to share their calculations and interpret.</p>
Closure	<ol style="list-style-type: none">1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve (5 minutes).2. Encourage students to ask questions for clarification. Mention that there will be an evaluation through a quiz to assess their understanding. <p>Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 488- 492</p> <p>Video Link: "Option Basics: Understanding the Call and Put Options" by Khan Academy: https://www.youtube.com/watch?v=4HMm6mBvGKE</p>
Evaluation	Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)



Lesson Plan No. 29	Course Name: Financial Derivatives Topic: Underlying assets in exchange traded options (stock options, foreign currency options, index options, futures options, interest rate options LEAPS options, FLEX Options, Exotic Options).	Course No.: MBA- 422
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Objectives	At the end of the lesson the student shall be able to: <ol style="list-style-type: none"> Identify and categorize diverse underlying assets for exchange-traded options. Grasp the unique characteristics and applications of options based on different underlying assets. Analyse the driving forces behind demand and activity in different option markets.
Teaching Aids (if any)	<ol style="list-style-type: none"> PowerPoint presentation Whiteboard and markers
Teaching Development	<ol style="list-style-type: none"> Introduction (5 minutes) <ul style="list-style-type: none"> Briefly introduce the concept of exchange-traded options and their function in various markets. Ask pre-assessment questions to gauge students' understanding of basic option terminology and functionalities. Highlight the crucial role of underlying assets in shaping option contracts and trading strategies. Development (30 minutes) <ul style="list-style-type: none"> Common Underlying Assets: <ul style="list-style-type: none"> Explain and discuss the most popular underlying assets for exchange-traded options, including: <ul style="list-style-type: none"> Individual Stocks: Focus on single company stock options and their risk-reward profiles. Foreign Currencies: Explore currency options for hedging forex exposure and speculating on exchange rates. Stock Market Indices: Analyze index options based on broad market movements and portfolio management. Futures Contracts: Describe options on futures contracts and their use for managing existing derivatives positions. Interest Rates: Discuss interest rate options for managing interest rate risk and speculating on rate changes. Specialized Underlying Assets: <ul style="list-style-type: none"> Briefly introduce less common, but increasingly relevant, underlying assets: <ul style="list-style-type: none"> LEAPS options: Long-term equity anticipation securities with extended expiration dates. FLEX options: Flexible exchange-listed options with customizable terms.



	<ul style="list-style-type: none">- Exotic options: Options with non-standard payoffs or exercise features, like barrier options or binary options.- Applications and Market Insights:- Connect the understanding of different underlying assets to their real-world applications:- Hedging strategies for specific risks using appropriate options.- Speculative trading opportunities in different option markets.- Impact of underlying asset characteristics on option pricing and <p>3. Activity (5 minutes):</p> <ul style="list-style-type: none">- Present students with a table outlining different underlying assets and their option contract types.- Ask them to match each option type with its most appropriate underlying asset based on its risk profile and potential uses.- Facilitate a discussion to explain their choices and highlight the rationale behind each matching.
Closure	<p>Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve (5 minutes).</p> <ol style="list-style-type: none">1. Encourage students to ask questions for clarification.2. Mention that there will be an evaluation through a quiz to assess their understanding. Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 492-494 <p>Video Link: "Options Underlying Assets: What You Need to Know" by Investopedia: https://m.youtube.com/watch?v=4dxdZg2MDAI Types of Option Underlying Assets" by CME Group: https://m.youtube.com/watch?v=4dxdZg2MDAI</p>
Evaluation	<p>Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)</p>



Lesson Plan No. 30	Course Name: Financial Derivatives Topic: Options (Derivatives) Practical Problems 1-11 Textbook: Financial Derivatives Theory Concepts and Problems by S. L. Gupta, 2nd Edition (2005), Pages 498-502	Course No.: MBA- 422
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Objectives	At the end of the lesson the student shall be able to: <ul style="list-style-type: none"> - Apply theoretical knowledge of options to practical scenarios. - Calculate key option values like intrinsic value, time value, and option Greeks. - Analyse the impact of different market variables on option prices.
Teaching Aids (if any)	a. PowerPoint presentation b. Whiteboard and markers
Teaching Development	<p>1. Introduction (5 minutes)</p> <ul style="list-style-type: none"> - Briefly introduce the topic of options and its key concepts (call/put options, exercise price, expiration date, etc.). - Ask questions to gauge students' understanding of previous lectures on options theory. - Briefly explain the structure of the session and the focus on practical problem solving. <p>2. Development (30 minutes)</p> <ul style="list-style-type: none"> - Divide students into small groups and assign each group 2-3 specific problems from the textbook (1-11). - Encourage students to work collaboratively and discuss their solutions. - Facilitate the discussion by asking guiding questions and providing clarification on any challenging concepts. - Focus on the application of option pricing formulas, interpretation of option Greeks, and strategic evaluation of option positions. - Encourage students to consider various scenarios and analyze the sensitivity of option values to changes in underlying asset price, volatility, time to expiry, etc. <p>3. Activity (5 minutes) –</p> <ul style="list-style-type: none"> - After solving the assigned problems, conduct a short quiz with a few multiple-choice questions or true/false statements based on the key concepts covered in the problems. - This will help assess students' understanding and identify areas requiring further clarification.
Closure	Spend 5 minutes to wrap up and consolidate the learnings



	<ol style="list-style-type: none">1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve.2. Encourage students to ask questions for clarification. Mention that there will be an evaluation through a quiz to assess their understanding. <p>Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 498-502</p>
Evaluation	Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)



Lesson Plan No. 31	Course Name: Financial Derivatives Topic: Trading with options- Strategies involving a single option and a stock (covered call, Protective Call, Protective put, Covered Put), and Spread Options	Course No.: MBA-422
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Objectives	At the end of the lesson the student shall be able to: <ul style="list-style-type: none"> a. Understand basic option terminology and payoff diagrams. b. Analyse common single option strategies involving a stock (covered calls, protective calls/puts, covered puts). c. Explain the concept of spread options and identify different types.
Teaching Aids (if any)	<ul style="list-style-type: none"> a. PowerPoint presentation b. Whiteboard and markers
Teaching Development	<p>1. Introduction (5 minutes)</p> <ul style="list-style-type: none"> - Warm-up: Briefly discuss the role of options in financial markets and their advantages/disadvantages compared to stocks. - Knowledge Check: Ask questions to gauge students' understanding of basic option concepts (call/put options, strike price, expiry, intrinsic/extrinsic value). <p>2. Development (30 minutes)</p> <ul style="list-style-type: none"> - Single Option Strategies: - Covered Call: Explain the mechanics, payoff diagram, and risk/reward profile. Discuss its use for income generation and limiting upside potential. - Protective Put: Explain its use for hedging a long stock position and limiting downside risk. Draw the payoff diagram and compare it to a naked put. - Protective Call: Explain its use for hedging a short stock position and limiting upside risk. Draw the payoff diagram and compare it to a naked call. - Covered Put: Explain its use for generating income and limiting downside risk on a stock you don't own. Draw the payoff diagram and discuss its potential drawbacks. - Spread Options: - Introduce the concept of spreads: buying and selling options simultaneously to create a customized risk/reward profile. - Bull Call Spread: Explain its mechanics, payoff diagram, and potential profit/loss scenarios. Discuss its use for bullish market expectations. - Bear Put Spread: Explain its mechanics, payoff diagram, and potential profit/loss scenarios. Discuss its use for bearish market expectations. - Briefly mention other spread types (bull/bear put spreads, calendar spreads, etc.).





	<p>3. Activity (5 minutes) – Divide students into groups and present them with hypothetical scenarios involving single options or spreads. Ask them to analyze the potential profit/loss and recommend suitable strategies based on the given information.</p>
Closure	<p>Spend 5 minutes to wrap up and consolidate the learning</p> <ol style="list-style-type: none">1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve.2. Encourage students to ask questions for clarification. <p>Mention that there will be an evaluation through a quiz to assess their understanding.</p> <p>Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 539 to 543</p> <p>Video Link: Investopedia Academy: Options Strategies Explained (17 minutes) https://www.youtube.com/watch?v=-gGvWxd_iXc</p>
Evaluation	<p>Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)</p>



Lesson Plan No. 32	Course Name: Financial Derivatives Topic: Vertical Spreads (vertical Bull Spread: Bullish Call Option Spreads, Bullish put vertical option Spread, Bearish Vertical Option Spreads, Bearish Vertical call Option Spreads, Bearish Vertical put Option Spreads.	Course No.: MBA-422
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Objectives	At the end of the lesson the student shall be able to: <ol style="list-style-type: none"> Define and differentiate between Bull and Bear Vertical Spreads. Analyse the payoff diagrams and risk/reward profiles of Bullish Call, Bullish Put, Bearish Call, and Bearish Put Spreads. Apply vertical spreads to create specific market positions (e.g., limited risk bullish/bearish bets) using real-world examples.
Teaching Aids (if any)	<ol style="list-style-type: none"> PowerPoint presentation Whiteboard and markers
Teaching Development	<ol style="list-style-type: none"> 1. Introduction (5 minutes) <ul style="list-style-type: none"> Brief introduction: Start by asking students if they've encountered options strategies before. Briefly introduce the concept of vertical spreads as combining two options contracts with different strike prices to limit risk or achieve specific market outlooks. Prior knowledge check: Ask a few quick questions to gauge their understanding of basic options concepts like calls, puts, strike prices, and expiration dates. 2. Development (30 minutes) <ul style="list-style-type: none"> Bullish Call Spreads: <ul style="list-style-type: none"> Explain the mechanics of a Bullish Call Spread: buying a lower strike call and selling a higher strike call with the same expiration. Show the payoff diagram and analyze the profit/loss potential based on the underlying asset's price movements. Discuss the limited risk and capped profit features compared to buying a single call option. Provide an example of using a Bullish Call Spread to express a moderately bullish view on a stock. Bullish Put Spreads: <ul style="list-style-type: none"> Explain the mechanics of a Bullish Put Spread: buying a higher strike put and selling a lower strike put with the same expiration. Show the payoff diagram and analyze the profit/loss potential based on the underlying asset's price movements. Discuss the limited risk and potential income generation compared to buying a single put option. Provide an example of using a Bullish Put Spread to hedge a long stock position or profit from a slightly rising market. Bearish Call Spreads:



	<ul style="list-style-type: none">- Explain the mechanics of a Bearish Call Spread: selling a lower strike call and buying a higher strike call with the same expiration.- Show the payoff diagram and analyze the profit/loss potential based on the underlying asset's price movements.- Discuss the limited risk and potential income generation compared to selling a single call option outright.- Provide an example of using a Bearish Call Spread to express a moderately bearish view on a stock.- Bearish Put Spreads:- Explain the mechanics of a Bearish Put Spread: selling a higher strike put and buying a lower strike put with the same expiration.- Show the payoff diagram and analyze the profit/loss potential based on the underlying asset's price movements.- Discuss the limited risk and capped profit features compared to selling a single put option outright.- Provide an example of using a Bearish Put Spread to express a moderately bearish view on a stock or generate income from a declining market.
Closure	<ol style="list-style-type: none">1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve (10 minutes).2. Encourage students to ask questions for clarification. Mention that there will be an evaluation through a quiz to assess their understanding. <ul style="list-style-type: none">- Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 543 to 548- Investopedia: Which Vertical Option Spread Should You Use? https://www.investopedia.com/terms/v/verticalspread.asp- The Options Industry Council: Vertical Spreads https://optionstradesbydamocles.com/2023/12/08/a-5-year-performance-review-selling-vertical-spreads-2019-2023/ Video Link: Khan Academy: Options Spreads https://m.youtube.com/playlist?list=PL55F11C99198EAE65
Evaluation	Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)



Lesson Plan No. 33	Course Name: Financial Derivatives Topic: Butterfly Spreads (Butterfly Spread call option, and Butterfly Spread put option).	Course No.: MBA- 422
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Objectives	At the end of the lesson the student shall be able to: <ol style="list-style-type: none"> Explain the concept of butterfly spreads using both call and put options. Differentiate between long and short butterfly spreads (call & put). Analyse the payoff profiles and profit potential of each butterfly spread type
Teaching Aids (if any)	<ol style="list-style-type: none"> PowerPoint presentation Whiteboard and markers
Teaching Development	<ol style="list-style-type: none"> Introduction (5 minutes) <ul style="list-style-type: none"> Brief introduction: Begin by asking students what they know about options strategies. Briefly introduce butterfly spreads as multi-leg strategies involving three strike prices. Prior knowledge check: Ask questions to gauge understanding of basic options concepts (calls, puts, strike prices, expiration). Development (30 minutes) <ul style="list-style-type: none"> Concept Breakdown: Define butterfly spreads (call & put): Explain the basic structure using three strike prices and four options (both long and short positions). Differentiate between long and short butterfly spreads (call & put): Use diagrams and payoff graphs to illustrate the profit/loss potential at different underlying asset prices. Discuss factors impacting profitability: Explain the influence of strike price selection, volatility, and time decay. Applications: Discuss when to use butterfly spreads (e.g., limited risk, potential profit from small price movements). Compare butterfly spreads with other neutral/directional option strategies (e.g., straddles, strangles). Real-world examples: Showcase historical or hypothetical examples of butterfly spreads used in the market. Activity (5 minutes): <ul style="list-style-type: none"> Compose a brief summary or response to today's lecture in the style of a "Two Minute Paper" activity. Please keep it concise and aim for completion within two minutes.
Closure	<ol style="list-style-type: none"> Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve (5 minutes). Encourage students to ask questions for clarification. Mention that there will be an evaluation through a quiz to assess their understanding.





	<p>Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 548 to 550</p> <p>Video Link: "The Butterfly Spread Explained" - Investopedia: https://m.youtube.com/watch?v=vKATKsDfxU8</p>
Evaluation	Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)



Lesson Plan No. 34	Course Name: Financial Derivatives Topic: Horizontal or time or calendar spread, Diagonal Spreads, Ratio Spread, Condor Spreads.	Course No.: MBA-422
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Objectives	At the end of the lesson the student shall be able to: a. Describe the key features and mechanics of horizontal, diagonal, ratio, and condor spreads. b. Explain the risks and rewards associated with each type of spread strategy. c. Apply spread strategies to practical scenarios to manage price risk and enhance returns.
Teaching Aids (if any)	a. PowerPoint presentation b. Whiteboard and markers
Teaching Development	1. Introduction (5 minutes) <ul style="list-style-type: none">- Start with a brief introduction to spreads in general. Briefly define spreads and their basic purpose (to capitalize on relative price movements of two or more assets).- Ask questions to gauge students' prior knowledge. For example, "Can someone give an example of a common spread strategy?" or "What are some factors to consider when choosing a spread strategy?" 2. Development (30 minutes) <ul style="list-style-type: none">- Horizontal Spreads:<ul style="list-style-type: none">- Explain the concept of horizontal spreads (time spreads and calendar spreads).- Use diagrams and examples to illustrate the mechanics of each type of spread.- Discuss the profit/loss potential and risk-reward profile of horizontal spreads.- Briefly mention real-world applications of horizontal spreads (e.g., hedging, income generation).- Diagonal Spreads:<ul style="list-style-type: none">- Introduce the concept of diagonal spreads (bull put spreads and bear call spreads).- Explain the mechanics and profit/loss potential of each type of diagonal spread.- Compare and contrast diagonal spreads with horizontal spreads.- Discuss the risk-reward profile and potential uses of diagonal spreads.- Ratio Spreads:<ul style="list-style-type: none">- Explain the concept of ratio spreads (bull call ratio spreads and bear put ratio spreads).- Use diagrams and examples to illustrate the mechanics of each type of ratio spread.



	<ul style="list-style-type: none">- Discuss the profit/loss potential and risk-reward profile of ratio spreads.- Compare and contrast ratio spreads with other types of spreads.- Discuss the risk-reward profile and potential uses of ratio spreads.- Condor Spreads:- Introduce the concept of condor spreads (iron butterflies, iron condors).- Explain the mechanics and profit/loss potential of each type of condor spread.- Discuss the risk-reward profile and potential uses of condor spreads.- Compare and contrast condor spreads with other types of spreads. <p>3. Activity (5 minutes):</p> <ul style="list-style-type: none">- Divide students into small groups and present them with a real-time market scenario involving two related assets.- Ask them to identify a suitable spread strategy based on the given scenario and explain their reasoning.- Encourage discussion and debate among the groups about the merits of different spread strategies.
Closure	<ol style="list-style-type: none">1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve (5 minutes).2. Encourage students to ask questions for clarification. Mention that there will be an evaluation through a quiz to assess their understanding. <p>Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 550 to 553 https://www.investopedia.com/options-trading-strategy-and-education-4689661</p> <p>Video Link: "Spread Strategies Explained" by Investopedia: https://m.youtube.com/watch?v=uk3bcmJZvE0</p>
Evaluation	Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)



Lesson Plan No. 35	Course Name: Financial Derivatives Topic: Combinations (straddles) Strategies: Long Straddle, short straddle, Strips and Straps, Strangle Strategies)	Course No.: MBA-422
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Objectives	At the end of the lesson the student shall be able to: <ul style="list-style-type: none"> a. Explain the concept of straddle strategies in derivatives trading. b. Differentiate between long straddles, short straddles, strips, straps, and strangle strategies. c. Apply straddle and strangle strategies to manage risk and generate profits in different market conditions.
Teaching Aids (if any)	<ul style="list-style-type: none"> a. PowerPoint presentation b. Whiteboard and markers
Teaching Development	<p>1. Introduction (5 minutes)</p> <ul style="list-style-type: none"> - Brief introduction: Begin by stating the topic of the lesson and its relevance to financial derivatives. Briefly explain the concept of combining options to create new strategies. - Prior knowledge check: Ask questions to gauge students' understanding of basic option concepts, such as call and put options, strike prices, and option pricing. This will help tailor the lesson to their level. <p>2. Development (30 minutes)</p> <ul style="list-style-type: none"> - Long Straddle: <ul style="list-style-type: none"> - Define a long straddle and explain its construction by buying both a call and a put option with the same strike price and expiration date. - Illustrate the payoff diagram of a long straddle for various underlying asset price movements at expiration. - Discuss the advantages and disadvantages of using a long straddle strategy, including its profit potential, risk management benefits, and cost considerations. - Short Straddle: <ul style="list-style-type: none"> - Introduce the concept of a short straddle, where the trader sells both a call and a put option with the same strike price and expiration. - Explain the payoff diagram of a short straddle and compare it to that of a long straddle. - Discuss the profit potential, risk management benefits, and potential risks associated with using a short straddle strategy. - Strips and Straps: <ul style="list-style-type: none"> - Briefly explain the concept of strips and straps, which are variations of straddles involving buying or selling multiple calls or puts with different strike prices but the same expiration date. - Highlight the key differences between strips, straps, and standard straddles. - Strangle Strategies:



	<ul style="list-style-type: none">- Introduce strangle strategies, where the trader buys or sells calls and puts with different strike prices (out-of-the-money) and the same expiration date.- Explain the two types of strangle strategies: Bull strangle and Bear strangle.- Illustrate the payoff diagrams of bull and bear strangle strategies and discuss their profit potential, risk management benefits, and potential drawbacks.
Closure	<ol style="list-style-type: none">1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve (5 minutes).2. Encourage students to ask questions for clarification. Mention that there will be an evaluation through a quiz to assess their understanding.
Evaluation	Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)



Lesson Plan No. 36	Course Name: Financial Derivatives Topic: Determinants of Option Prices (current price of the option, strike price of the option, time to expiration of the option, expected price volatility of the stock, Risk-free interest rate, Anticipated cash payment on the stock, Consideration of dividends)	Course No.: MBA-422
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Objectives	At the end of the lesson the student shall be able to: <ol style="list-style-type: none"> Explain the key factors influencing option prices. Analyse the relationship between each factor and option value (call and put). Apply the understanding to interpret option pricing and make informed trading decisions.
Teaching Aids (if any)	<ol style="list-style-type: none"> PowerPoint presentation Whiteboard and markers
Teaching Development	<ol style="list-style-type: none"> Introduction (5 minutes) <ul style="list-style-type: none"> Briefly introduce the concept of options and their role in financial markets. Ask students: <ul style="list-style-type: none"> What are the different types of options (call, put)? What are the key features of an option contract (strike price, expiration date, etc.)? Highlight the importance of understanding option pricing factors for effective risk management and investment strategies. Development (30 minutes) <ul style="list-style-type: none"> Key Factors influencing Options Prices (10 minutes): Current Stock Price (S): Discuss the intrinsic value of an option and how it relates to the underlying asset price. Explain how call and put prices change with changes in stock price. Strike Price (K): Illustrate how the strike price acts as a benchmark for potential profit/loss and affects the time value of an option. Demonstrate how call and put prices change with different strike prices. Time to Expiration (T): Explain the concept of "time decay" and how it erodes the value of an option as expiration approaches. Show how call and put prices are affected by varying time durations. Expected Price Volatility (σ): Introduce the role of volatility in option pricing and its impact on potential gains/losses. Explain how call and put prices react to changes in expected volatility. Risk-free Interest Rate (r): Discuss the cost of carrying an



	<p>option position and how it influences pricing. Show how call and put prices adjust based on different interest rate scenarios.</p> <ul style="list-style-type: none">- Anticipated Cash Payments (5 minutes):- Briefly touch upon the impact of anticipated dividends or other corporate actions on option pricing.- Provide examples of how these events can affect the intrinsic value and time value of options.- Consideration of Dividends (5 minutes):- Explain how the timing and amount of dividends can influence the pricing of both call and put options.- Illustrate the concept of "ex-dividend date" and its implications for option valuation. <p>3. Activity (5 minutes) –</p> <ul style="list-style-type: none">- Divide students into small groups and provide each group with a scenario involving changes in one or more of the key factors impacting option prices.- Ask them to analyze the scenario and predict how the price of a specific call or put option would be affected.- Encourage group discussion and share the different perspectives afterwards.
Closure	<ol style="list-style-type: none">1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve (5 minutes).2. Encourage students to ask questions for clarification.3. Mention that there will be an evaluation through a quiz to assess their understanding.
Evaluation	Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)



Lesson Plan No. 37	Course Name: Financial Derivatives Topic: The Black-Scholes Option Pricing Model (Assumptions, (B-S) Pricing Formula, variation on the Basic Black-Scholes Model)	Course No.: MBA- 422
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Objectives	At the end of the lesson the student shall be able to: <ol style="list-style-type: none"> Understand the key assumptions underlying the Black-Scholes Model. Derive and apply the Black-Scholes formula to value European call options. Identify and analyse the impact of variations on the basic Black-Scholes Model
Teaching Aids (if any)	<ol style="list-style-type: none"> PowerPoint presentation Whiteboard and markers
Teaching Development	<ol style="list-style-type: none"> Introduction (5 minutes) <ul style="list-style-type: none"> - Hook: Start with a real-world example of using options, like hedging or speculating on a stock price. Ask students if they remember anything about option pricing from previous courses. - Knowledge Check: Briefly quiz students on key concepts like options, strike price, expiration date, and risk-free rate. This helps tailor the lesson to their understanding. Development (30 minutes) <ul style="list-style-type: none"> - Assumptions: Explain the six critical assumptions of the Black-Scholes Model, including rational investors, log-normal asset price distribution, no transaction costs, constant volatility, and European exercise style. Use visuals like diagrams or graphs to clarify. - Deriving the B-S Formula: Introduce the Black-Scholes formula and briefly explain its components like cumulative standard normal distribution, delta, and time decay. Focus on understanding the intuition behind the formula rather than in-depth mathematical derivation. - Applying the Formula: Walk students through practical examples of using the Black-Scholes formula to calculate the theoretical value of a European call option. Use financial calculators or online tools to demonstrate the calculations. - Variations: Highlight some key variations of the Black-Scholes Model, such as American options, dividend-paying stocks, and stochastic volatility models. Briefly explain how these variations modify the formula and their practical implications. Activity (5 minutes) – <ul style="list-style-type: none"> - Compose a brief summary or response to today's lecture in the



	style of a "Two Minute Paper" activity. Please keep it concise and aim for completion within two minutes.
Closure	<ol style="list-style-type: none">1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve (5 minutes).2. Encourage students to ask questions for clarification.3. Mention that there will be an evaluation through a quiz to assess their understanding. <p>Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 511to516</p> <p>Video Link: "Black-Scholes Option Pricing Model Explained" by Aswath Damodaran (Free YouTube video): https://m.youtube.com/watch?v=pru4LCFYEY</p>
Evaluation	Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)



Lesson Plan No. 38	Course Name: Financial Derivatives Topic: Binomial Option Pricing Model (A one- step Binomial Model, two -step Binomial Model.	Course No.: MBA- 422
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Objectives	At the end of the lesson the student shall be able to: a. Describe the basic principles of the Binomial Option Pricing Model. b. Apply the one-step binomial model to value European call and put options. c. Analyse the convergence properties of the binomial model and understand the concept of a two-step model.
Teaching Aids (if any)	a. PowerPoint presentation b. Whiteboard and markers
Teaching Development	<p>1. Introduction (5 minutes)</p> <ul style="list-style-type: none"> - Warm-up: Briefly reminisce on option contracts and their risk management features. - Pre-Assessment: Ask a few questions to gauge prior knowledge, e.g., "What factors influence option prices?" or "What is the difference between American and European options?" <p>2. Development (30 minutes)</p> <ul style="list-style-type: none"> - Conceptual Foundation (5 minutes): Define the Binomial Option Pricing Model as a discrete-time, tree-based approach to option valuation. Emphasize its advantages over closed-form solutions like Black-Scholes for certain scenarios. - One-Step Model (15 minutes): - Explain the core elements of the one-step model: risk-neutral valuation, upward and downward price movements, risk-adjusted probabilities, and payoff at the terminal node. - Walk through the construction of a one-step binomial tree for a call option, calculating option values at each node and working back to the present value. - Repeat the process for a put option, highlighting the differences in calculations. - Convergence and Refinement (10 minutes): - Discuss the limitations of the one-step model, particularly its dependence on the chosen time and risk-neutral probability. - Introduce the concept of a two-step binomial model as a way to improve accuracy and convergence towards Black-Scholes values. - Briefly illustrate the two-step process by building a simple tree and highlighting the increased complexity but superior results. <p>3. Activity (5 minutes) –</p> <ul style="list-style-type: none"> - Divide students into pairs and distribute problems where they apply the one-step model to value call and put options with different



	parameters. Encourage peer discussion and clarification.
Closure	<ol style="list-style-type: none">1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve (5 minutes).2. Encourage students to ask questions for clarification.3. Mention that there will be an evaluation through a quiz to assess their understanding. <p>Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 539 to 543 The Binomial Option Pricing Model" by John C. Hull (free PDF available): https://fac.ksu.edu.sa/sites/default/files/options_futures_and_other_derivatives_8th_ed_part1.pdf "Binomial Option Pricing Tutorial" by Investopedia: https://www.investopedia.com/articles/investing/021215/examples-understand-binomial-option-pricing-model.asp Video Link: "Binomial Option Pricing Model Explained" by Aswath Damodaran: https://m.youtube.com/watch?v=znmQ7oMiQrM</p>
Evaluation	Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)



Lesson Plan No. 39	Course Name: Financial Derivatives Topic: Hedging Concepts (Multi-purpose concept of hedging)	Course No.: MBA-422
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Objectives	At the end of the lesson the student shall be able to: <ul style="list-style-type: none"> a. Define and explain the concept of hedging in financial derivatives. b. Identify different types of hedging strategies and their applications. c. Analyse the effectiveness of hedging in managing risk in financial markets.
Teaching Aids (if any)	<ul style="list-style-type: none"> a. PowerPoint presentation b. Whiteboard and markers
Teaching Development	<p>1. Introduction (5 minutes)</p> <ul style="list-style-type: none"> - Briefly introduce the concept of financial risk and its impact on businesses. - Ask students questions to gauge their understanding of basic derivatives concepts (options, futures, etc.). - Briefly mention the purpose of hedging and its benefits. <p>2. Development (30 minutes)</p> <ul style="list-style-type: none"> - Explain the multi-purpose concept of hedging: - Define hedging as a risk management strategy using derivatives to offset potential losses. - Discuss different types of risks (price, interest rate, currency, etc.) and how hedging can mitigate them. - Illustrate the concept using real-world examples of successful hedging strategies. - Explore various hedging strategies: - Basic strategies: - Long and short positions in underlying assets. - Using options: buying puts, selling calls, protective puts/calls. - Using futures: entering offsetting positions. - Advanced strategies: - Collar strategy, butterfly spread, straddle/strangle. - Explain the risk-reward profile of each strategy and its suitability for different scenarios. - Factors affecting hedging effectiveness: - Basis risk and its impact on hedging efficiency. - Transaction costs and their influence on hedging profitability. - Market volatility and its influence on strategy selection. <p>3. Activity (5 minutes)</p> <ul style="list-style-type: none"> - Divide students into small groups and present them with a hypothetical case study involving a company facing financial risk. - Ask them to design a hedging strategy using the concepts discussed in the lecture.



	Encourage group discussions and facilitate a class-wide sharing of ideas.
Closure	<ol style="list-style-type: none">1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve (5 minutes).2. Encourage students to ask questions for clarification. Mention that there will be an evaluation through a quiz to assess their understanding. <p>Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 195-197 "Hedging with Financial Derivatives" by John C. Hull (Chapter 1 available for free download: https://www.sec.gov/about/mission) "The Complete Guide to Financial Hedging" by Brian Overby (Free preview available: https://www.amazon.com/Hedging-Principles-Practices-Strategies-Financial/dp/047163560X)</p> <p>Video Link: "Hedging Explained: How to Reduce Risk with Derivatives" by Investopedia (https://m.youtube.com/watch?v=AEuCl2FmJ-Y)</p>
Evaluation	Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes).



Lesson Plan No. 40	Course Name: Financial Derivatives Topic: The Perfect Hedging Model, basic long and short hedges	Course No.: MBA- 422
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Objectives	At the end of the lesson the student shall be able to: <ol style="list-style-type: none"> Define the concept of hedging and its importance in financial derivatives. Explain the theoretical framework of the perfect hedging model and its key features. Differentiate between basic long and short hedges in the context of financial derivatives.
Teaching Aids (if any)	<ol style="list-style-type: none"> PowerPoint presentation Whiteboard and markers
Teaching Development	<ol style="list-style-type: none"> Introduction (5 minutes) <ul style="list-style-type: none"> Start with a brief introduction to the concept of hedging and its role in managing financial risks. Ask questions to gauge students' prior knowledge about financial derivatives and hedging strategies. Introduce the topic of the perfect hedging model and its relevance in achieving perfect risk elimination. Development (30 minutes) <ul style="list-style-type: none"> The Perfect Hedging Model: <ul style="list-style-type: none"> Explain the theoretical framework of the perfect hedging model, emphasizing its key assumptions and components (e.g., perfectly correlated assets, continuous rebalancing). Use diagrams or visual aids to illustrate the concept of perfect hedging and how it eliminates exposure to price changes. Discuss the limitations of the perfect hedging model in real-world markets (e.g., transaction costs, imperfect correlation). Basic Long and Short Hedges: <ul style="list-style-type: none"> Introduce the concept of long and short hedges using practical examples (e.g., hedging an existing asset position, speculation on price movements). Explain how long hedges involve buying offsetting derivative positions, while short hedges involve selling derivatives. Discuss the mechanics of each type of hedge using specific examples (e.g., long call option to hedge a long stock position, short put option to hedge a short stock position). Emphasize the importance of choosing the appropriate hedge based on the underlying asset and risk profile. Activity (5 minutes) – Case study: Present a short case study involving a basic hedging scenario (e.g., an airline company needs to hedge against fuel price fluctuations). <ul style="list-style-type: none"> Divide the students into small groups and ask them to: Identify the type of risk involved.



	<ul style="list-style-type: none">- Recommend a suitable long or short hedging strategy.- Explain the rationale behind their recommendation. Facilitate a class discussion where students share their solutions and insights.
Closure	Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve (5 minutes). Encourage students to ask questions for clarification. Mention that there will be an evaluation through a quiz to assess their understanding. Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 198-201 Video Link: Hedging Strategies in Financial Derivatives: https://m.youtube.com/watch?v=AEuCl2FmJ-Y
Evaluation	Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)



Lesson Plan No. 41	Course Name: Financial Derivatives Topic: Cross hedging, Concept of basic risk and hedging, basis risk versus price risk	Course No.: MBA- 422
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Objectives	At the end of the lesson the student shall be able to: <ol style="list-style-type: none"> Understand the concept of cross hedging and its applications in managing risk. Differentiate between basic risk and hedging, and identify various hedging strategies. Analyse the difference between basis risk and price risk, and their implications for derivative-based hedging.
Teaching Aids (if any)	<ol style="list-style-type: none"> PowerPoint presentation Whiteboard and markers
Teaching Development	<ol style="list-style-type: none"> Introduction (5 minutes) <ul style="list-style-type: none"> Briefly introduce the topic of cross hedging and its relevance in managing financial risk. Spark students' curiosity with a real-world example of cross hedging, like an airline company using fuel options to hedge against oil price fluctuations. Ask questions to gauge students' prior knowledge about basic risk management and derivative instruments. Development (30 minutes) <ul style="list-style-type: none"> Cross Hedging: <ul style="list-style-type: none"> Explain the concept of cross hedging in detail, using diagrams and examples. Discuss different types of cross hedging strategies, such as cross-currency hedging and cash-futures hedging. Highlight the advantages and limitations of cross hedging compared to traditional single-asset hedging. Basic Risk and Hedging: <ul style="list-style-type: none"> Define basic risk and differentiate it from other types of financial risk. Introduce the concept of hedging and its role in mitigating risk. Discuss various hedging instruments used in practice, such as forwards, futures, options, and swaps. Basis Risk vs. Price Risk: <ul style="list-style-type: none"> Explain the concept of basis risk and its potential impact on hedging effectiveness. Compare and contrast basis risk with price risk, using examples to illustrate their differences. Discuss strategies for managing basis risk in hedging strategies. Activity (5 minutes) – Give different use-cases and make students select appropriate cloud



	<p>deployment models.</p> <ul style="list-style-type: none">- Divide students into small groups and present them with a case study involving a company facing currency risk.- Ask each group to develop a cross-hedging strategy for the company, considering basis risk and other relevant factors.- Facilitate a class discussion where groups share their proposed strategies and compare their effectiveness.
Closure	<ol style="list-style-type: none">1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve (5 minutes).2. Encourage students to ask questions for clarification. Mention that there will be an evaluation through a quiz to assess their understanding. <p>Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 203 to 208</p> <p>Video Link: Hedging Strategies Explained by Investopedia: https://www.youtube.com/watch?v=VyH0k0fgeDM</p>
Evaluation	Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes).



Lesson Plan No. 42	Course Name: Financial Derivatives Topic: Devising a hedging strategy (deciding on the futures contract, which futures contract, which contract month and hedge ratio concept)	Course No.: MBA- 422
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Objectives	At the end of the lesson the student shall be able to: <ol style="list-style-type: none"> Explain the concept of hedging and its role in managing risk. Identify different types of futures contracts and their suitability for various hedging strategies. Calculate the optimal hedge ratio for a simple long or short position
Teaching Aids (if any)	<ol style="list-style-type: none"> PowerPoint presentation Whiteboard and markers
Teaching Development	<ol style="list-style-type: none"> Introduction (5 minutes) <ul style="list-style-type: none"> Brief introduction to hedging: Start by asking students why companies might want to hedge risk. Briefly explain the concept of hedging as a strategy to offset potential losses from price fluctuations in the underlying asset. Connect to previous knowledge: Ask students to recall what they know about futures contracts and their basic mechanics. Briefly review the key features of futures contracts. Development (30 minutes) <ul style="list-style-type: none"> Choosing the right futures contract: <ul style="list-style-type: none"> Explain the different types of futures contracts such as stock index futures, currency futures, and commodity futures. Discuss the importance of choosing a futures contract that is highly correlated with the underlying asset being hedged. Use examples to illustrate. Introduce the concept of basis risk and how to minimize it. Selecting the contract month: <ul style="list-style-type: none"> Explain the role of contract month in hedging and the trade-off between near-term and far-term contracts. Discuss factors to consider when choosing the contract month, such as the timing of the exposure and price volatility. Hedge ratio concept: <ul style="list-style-type: none"> Introduce the concept of hedge ratio as the number of futures contracts needed to offset the risk of a change in the underlying asset price. Derive the basic formula for calculating the hedge ratio for a long or short position in the underlying asset. Use an example to walk students through the calculation of the hedge Activity (5 minutes) – <ul style="list-style-type: none"> Compose a brief summary or response to today's lecture in the style of a "Two Minute Paper" activity. Please keep it



	concise and aim for completion within two minutes.
Closure	<ol style="list-style-type: none">1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve (5 minutes).2. Encourage students to ask questions for clarification. Mention that there will be an evaluation through a quiz to assess their understanding. <p>Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 209 to 214</p> <p>Video Link: Investopedia Academy: Options Strategies Explained (17 minutes) https://www.youtube.com/watch?v=-gGvWxd_iXc</p>
Evaluation	Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)



Lesson Plan No. 43	Course Name: Financial Derivatives Topic: Management of the Hedge (Monitoring the hedge: cash position, futures position, Margins, basis movements, new information; Adjustments to the hedge: Changes In risk exposure, changes in hedge ratio, new hedging goals, Basis Management, Rolling the hedge)	Course No.: MBA- 422
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Objectives	At the end of the lesson the student shall be able to: <ol style="list-style-type: none"> Explain the key elements to monitor when managing a hedge. Discuss how to adjust the hedge based on changes in risk exposure, hedge ratio, and hedging goals. Analyse the importance of basis management and rolling the hedge.
Teaching Aids (if any)	<ol style="list-style-type: none"> PowerPoint presentation Whiteboard and markers
Teaching Development	<ol style="list-style-type: none"> Introduction (5 minutes) <ul style="list-style-type: none"> Brief Introduction: Begin by briefly introducing the concept of hedge management, emphasizing its importance in mitigating risks associated with financial derivatives. Prior Knowledge Check: Ask a few questions to gauge the students' understanding of hedging concepts covered in previous lectures. For example, "What are the different types of hedging strategies?" or "How do you calculate the hedge ratio?" Development (30 minutes) <ul style="list-style-type: none"> Monitoring the Hedge: <ul style="list-style-type: none"> Cash position: Explain how changes in cash flow can affect the effectiveness of the hedge and the need for monitoring. Futures position: Discuss the importance of monitoring the futures position relative to the underlying asset and adjusting it as needed. Margins: Explain the role of margin calls in managing the hedge and the potential consequences of failing to meet margin requirements. Basis movements: Discuss the concept of basis risk and how basis movements can impact the effectiveness of the hedge. New information: Highlight how new information about the underlying asset or market conditions can necessitate adjustments to the hedge. Adjusting the Hedge: <ul style="list-style-type: none"> Changes in risk exposure: Explain how changes in the risk profile of the underlying asset or the hedged portfolio can



	<p>necessitate adjustments to the hedge ratio or strategy.</p> <ul style="list-style-type: none">- Changes in hedge ratio: Discuss methods for calculating and adjusting the hedge ratio to maintain optimal effectiveness.- New hedging goals: Explain how changes in the desired outcome of the hedge (e.g., minimizing losses, locking in profits) can require adjustments to the hedging strategy.- Basis Management and Rolling the Hedge:- Basis Management: Explain strategies for managing basis risk, such as using basis contracts or adjusting the futures contract expiration date.- Rolling the Hedge: Discuss the process of replacing expiring futures contracts with new ones to maintain the hedge over time. <p>3. Activity (5 minutes) –</p> <ul style="list-style-type: none">- Case Study: Present a short case study of a company facing a hedging challenge. Divide students into groups and ask them to discuss how they would monitor and adjust the hedge in this scenario.
Closure	<ol style="list-style-type: none">1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve (5 minutes).2. Encourage students to ask questions for clarification. Mention that there will be an evaluation through a quiz to assess their understanding. <p>Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 215 to 216</p> <p>Video Link: "Hedge Fund Strategies: Managing the Hedge" by Investopedia https://www.youtube.com/watch?v=EF_K2ZepV1E</p>
Evaluation	Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)



Lesson Plan No. 44	Course Name: Financial Derivatives Topic: Concept of Fixed Hedge, Zero Cost Option Strategy, Delta Hedging, Theta, Gamma, Vega, Rho and Phi	Course No.: MBA- 422
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Objectives	At the end of the lesson the student shall be able to: <ul style="list-style-type: none"> a. Explain the concept of Fixed Hedge and its application in risk management. b. Analyse the dynamics of Zero Cost Option Strategies and their potential benefits. c. Understand the Greek Letters (Delta, Theta, Gamma, Vega, Rho, and Phi) and their impact on option pricing and hedging strategies.
Teaching Aids (if any)	<ul style="list-style-type: none"> a. PowerPoint presentation b. Whiteboard and markers
Teaching Development	<p>1. Introduction (5 minutes)</p> <ul style="list-style-type: none"> - Briefly introduce the concept of hedging in derivatives markets. - Ask students to recall examples of risks faced by businesses and how hedging can mitigate them. - Briefly introduce the topic of options and their role in hedging strategies <p>2. Development (30 minutes)</p> <ul style="list-style-type: none"> - Fixed Hedge: - Explain the basic principle of fixed hedge using an example (e.g., long futures contract to offset a long spot position). - Discuss the advantages and limitations of fixed hedges. - Highlight the importance of basis risk in fixed hedging strategies. - Zero Cost Option Strategy: - Introduce the concept of zero cost option strategies (e.g., protective puts, covered calls). - Explain how these strategies can be created without incurring upfront premium costs. - Analyze the payoff profiles of different zero cost option strategies and their risk-reward trade-offs. - Greek Letters: - Introduce the five main Greek letters used in option pricing (Delta, Theta, Gamma, Vega, Rho). - Briefly explain the meaning and significance of each Greek letter using simple examples. - Discuss the impact of changes in underlying asset price, time to expiry, volatility, interest rates, and dividends on option prices using the Greek letters. <p>3. Activity (5 minutes) –</p> <ul style="list-style-type: none"> - Divide students into small groups and present them with a



	<p>hypothetical scenario where a company needs to hedge a specific risk using derivatives.</p> <ul style="list-style-type: none">- Ask each group to propose a suitable hedging strategy using either a fixed hedge or a zero-cost option strategy, justifying their choice based on the Greek letters involved.- Facilitate a class discussion where groups share their proposed strategies and analyze their effectiveness.
Closure	<p>Spend 5 minutes to wrap up and consolidate the learnings</p> <ol style="list-style-type: none">1. Summarize the key points of the lesson, emphasizing the objectives that students were expected to achieve.2. Encourage students to ask questions for clarification.3. Mention that there will be an evaluation through a quiz to assess their understanding. <p>Suggested Readings: Financial Derivatives Theory Concepts and Problems by S. L. Gupta Prentice- Hall of India Private Limited. Edition 2nd (2005) Page No.: 566 to 577</p> <p>Video Link: "Understanding the Greeks in Options Trading" by Investopedia (https://www.youtube.com/watch?v=5Xrblyg1tgY)</p>
Evaluation	<p>Administer a short quiz with multiple-choice and short-answer questions related to the topic. (5 minutes)</p>