

## **Finance Specialization Subjects**

**Course Title: Financial Derivatives**

**Course Code: 15MB62F4**

**SEM IV / Year II**

**L-T-P: 2-2-0**

**Credits: 3**

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### **COURSE OBJECTIVES**

- 1) To predict the price movement in the stock market and to provide commitments to prices for future dates to give protection against adverse movements in future prices.
- 2) To understand the basics of the various instruments operating in the stock market along with their trading mechanism and regulations.
- 3) To develop various pricing models of stock prices, trading, hedging of options and management of derivative exposure.

### **COURSE OUTCOMES**

After completion of this course, the student will be able to

- 1) Students will be able to analyze the risks in different financial markets.
- 2) Acquire ability to selection of various options and then can apply them to specific markets.
- 3) Student will be able to strategically manage the financial derivatives.

### **SYLLABUS**

Introduction: Forwards and futures contracts, other derivatives-Trading regulation-Index futures-Futures on currencies-Interest rate futures-Derivatives market in India. Options market: Properties of stock options-Mechanics of option Markets-Underlying assets-Stock options-Warrants and Convertibles-Strategies involving options-Spread, Combinations, and other payoffs-Options on Indices-Hedging strategies using derivatives. Options Valuation: Binomial Model-one step and two step Binomial trees- Black- Scholes model-Lognormal Property of stock prices-Volatility-Causes of volatility. Swaps- Currency swaps-Interest rate swaps-Equity swaps-Credit derivatives-Credit default swaps-Caps and floors.

### **RECOMMENDED TEXT BOOK**

Gupta S L, Financial Derivatives: Theory, Concepts and Problems, Prentice Hall of India, New Delhi.

### **REFERENCE BOOKS**

1. John C Hull: Options, Futures and Other Derivatives, Prentice Hall of India, New Delhi.
2. Redhead: Financial Derivatives: An Introduction to Futures, Forwards, Options, Prentice Hall of India, New Delhi.
3. BishnuPriya Mishra, Financial Derivatives, Excel Books, New Delhi.
4. SatyanarayanaChary T, Financial Derivatives, Excel Books, New Delhi.
5. Kumar S SS, Financial Derivatives, Prentice Hall of India, New Delhi.