Name of College: S. R. Luthra Institute of Management								
Faculty	Management		**Program**	Master of Business Administration (M.B.A.)				
Year	II		**Version**	1.0				
Semester	3		**Effective From**	June 2024				
Course Code	MGMB14301	Course Name	Financial Derivatives (FD)					
Teaching Scheme				**Examination Scheme**				
Credits	**Lecture (L)**	**Tutorial (T)**	**Practical (P)**	**ME**	**CE**	**SE**	**V**	**Total**
4	4	0	0	30	40	50	---	120

Course Outcomes:

CO1	Relate the characteristics of financial derivatives and their role in managing market risk
CO2	Discuss the operations of Indian derivative market and its instruments: Forward, future, options and swaps
CO3	Analyse the concepts of forward and future contracts for effective risk management
CO4	Develop an orientation for the need to adapt option strategies and construct the option strategies for real life in different market conditions
CO5	Estimate the option pricing using different model and analyse the factors affecting option pricing

Mapping Course Outcomes to Program Outcomes:

	PO1	**PO2**	**PO3**	**PO4**	**PO5**	**PO6**
CO1	3	1	1	1	1	1
CO2	2	1	1	1	1	1
CO3	3	3	1	1	1	2
CO4	3	3	1	2	1	2
CO5	3	3	1	1	1	2

Sr. No	Module	Description	CO	Marks	Hours
1	I	**Introduction to risk management and derivatives: (Only theory)** • Definition and managing risk • Defining derivatives and derivative markets • Spot V/s Derivative market • Types of derivative markets; OTC and Exchange traded derivative • Introduction to Derivative products; Forward, Future, Options and Swaps • Types of risk; Business risk, Event risk, Credit risk and Price risk • Approaches to Risk Management **Derivatives Market:** • International and Indian derivatives market • Derivative exchanges • Derivative market participants; Hedger, Arbitrager and Speculator • Index management • Trading (including types of orders), Clearing and Settlement system • Regulatory framework of derivatives market in India	1,2	12	8
2	II	**Forward contracts** • Introduction to forward contract • Forward contract pricing; Cost of carry model (Theory and Numerical) **Future contracts** • Introduction to future contract • Difference between forward and future contracts • Specifications of future contract; Underlying assets, contract size, contract cycle, expiration day, buyer's and seller's price, tick size, price quotes (open, high, low, close, settlement), open interest, volume, basis, convergent • Future contract payoff - (Theory and Numerical) • Margins and marking-to-market (Theory and numerical) • Pricing of future; Cost of carry model (No income, with cash income and with income yield) – (Theory and Numerical) • Hedging using future contract (stock and index future) - (Theory and Numerical) • Perfect and imperfect hedging - (Theory and Numerical)	3	14	12
3	III	**Options contract** • Introduction to options • Types of options; Call and Put options, American and European options • Option terminologies; Exercise, exercise price (strike price), spot price and spot price at expiry, exercise date, option price (premium) • Future V/s Options (with payoff) – (Theory and Numerical) • Moneyness in options (ITM, ATM, OTM) - (Theory and numerical)	4	12	10

		Option trading strategies (Bull and bear strategies) • Uncovered (Call and Put) • Cover (Call and Put) • Spread (Butterfly, Condor and Box spread) • Combination (Straddle, strangle) Advance option strategies – Concepts and payoff: Iron condor Weirdore (Only using Excel)			
4	IV	**Option Pricing models** • Put Call Parity - (Theory and numerical) • Binomial option pricing model (Single period only) - (Theory and numerical) • Black-Scholes option Pricing model: (Theory and online calculator only)	5	12	10
		Greeks in Options • Factors affecting option pricing • Option Greeks; Introduction of delta, gamma, theta, vega, rho (online calculator only)			
		SWAPS (Only theory) • Meaning, types and terminologies			

References:

Books:	
1.	Jankiraman (2021). *Derivatives and Risk Management.* Pearson publishing (India) Ltd.
2.	Srivastava R. (2014). *Derivatives and Risk Management.* Pearson publishing (India) Ltd.
3.	Hull J. C. (2022). *Options, Futures and other derivatives.* McGraw Hill (India) Private Limited
4.	Vora, N. D. and Bagri, B. R. (2017). *Futures and Options.* McGraw Hill (India) Private Limited
5.	NISM (2023). *NISM-Series-VIII: Equity Derivatives Certification Examination.* TaxMann Publications