

FINANCE GROUP
MASTER OF COMMERCE - THIRD SEMESTER
FINANCIAL DERIVATIVES

Code: **SC 3.5 (B)**

Contact Hours: 64

Credit Points: 4

Evaluation: Continuous Internal Assessment – **30 Marks**
Semester-End Examination – **70 Marks**

Univ Code:

Work load: **4 hours per week**

Objective: To enable the students to understand the concepts and use of Derivatives in Risk Management

Pedagogy: A combination of Lectures, Case Analysis, Group Discussion, Seminars, Assignments, etc.

Module 1: Introduction: Meaning of Derivatives, forwards and futures contract, option, traders in futures and option markets, functions of derivatives market, world derivatives market and evolution of derivatives market in India.

Module 2: Forwards and Futures Contract: Valuation of forwards and futures, stock index futures, valuation of stock index futures, hedging using futures contract and stock index futures contract, adjusting the beta of portfolio using stock index futures.

Module 3: Options Contracts: Characteristics of option contracts, buyer and seller attitudes, option pricing, risk and return on equity option, option trading strategies.

Module 4: Valuation of Options: A graphic analysis of call and put values, characteristics of option values, models of valuation of option, Binomial Option Pricing Model, applicability of Black and Scholes Model.

Module 5: Trading Risks and Regulations: Trading mechanism, types of orders, risks in derivatives trading, regulations on derivatives, recent trends in derivatives market in India.

Recommended Books

1. N.D.Vohra and B.R.Bagri, **Futures and Options**, Tata McGraw Hill, New Delhi.
2. John C Hull, **Fundamentals of Futures and Options market**, Pearson Education, New Delhi
3. Robert W Kolb, **Understanding Futures Markets**, PHI, New Delhi
4. Franklin R Edwards, **Futures and Options**, Tata McGraw Hill, New Delhi
5. V K Bhalla, **Financial Derivatives and Risk Management**, S Chand, New Delhi
6. Chance, **Introduction to Derivatives and Risk management**, Thomson Learning
7. D C Patwari, **Options and Futures in an Indian Perspective**, Jaico Publishers
8. I.M, Pandey, **Advanced Financial Management**, Vikas Publishing House, New Delhi.
9. William F. Sharpe, Gordon J Alexander and Jeffery V Bailey, **Investments**, Prentice Hall , New Delhi.
10. R.Mahajan, **Futures and Options**, Vision Books Pvt Ltd, New Delhi.
11. Prafulla Kumar Swain, **Fundamentals of Derivatives**, HPH
12. Business Dailies