GANPAT UNIVERSITY									
FACULTY OF MANAGEMENT STUDIES									
Programme	Master of Business Administration					Branch/Spec.	Finance		
Semester	III					Version	1.0.0.0		
Effective from Academic Year	2021-22					Effective for the batch Admitted in			June 2020
Subject code	**IIIA08DRM**		Subject Name			**DERIVATIVES AND RISK MANAGEMENT**			
Teaching scheme						Examination scheme (Marks)			
(Per week)	Lecture(DT)		Practical(Lab.)		Total		CE	SEE	Total
	L	TU	P	TW					
Credit	4	0	0	0	4	Theory	60	40	100
Hours	4	0	0	0	4	Practical	-	-	-

Pre-requisites:

Objectives

The objective of this course is to enable the students to acquaint with the concept, use of forwards, futures, swaps, options, and related financial derivatives for hedging, arbitrage, and speculation in the global environment. The course focuses on understanding how firms manage interest rate risk, exchange rate risk, and commodity price risk using these derivatives.

Learning Outcome:

On successful completion of this module, students will be able to:

IIIA08DRM.CO1: Understand fundamental concepts of risk and derivative markets, including instruments and market participants

IIIA08DRM.CO2: Analyze futures market mechanisms and apply hedging strategies for risk mitigation

IIIA08DRM.CO3: Apply pricing and valuation techniques for forwards, futures, interest rate futures, and swaps to manage exposure

IIIA08DRM.CO4: Evaluate option pricing models, Greeks & VaR, and formulate hedging & trading strategies

Theory syllabus

Unit	Content	Hrs
1	Introduction to risk management: · Defining and managing risk · Upside and downside risks · Commodity price risk · Interest rate risk · Approaches to risk management, nature of derivatives trading, setting of Risk-vision, reasons for managing derivatives risk and types of risk in derivative trading. Futures and options trading system, Basis of trading, market participants hedger, speculators, and arbitrager)	20
2	Introduction; Background and Terminology; Derivatives Mishaps; Risk Management Policies; Mechanics of Futures Markets. Hedging Strategies.	10
3	Interest Rates. Valuation of Forwards and Futures; Interest Rate Futures; Interest Rate SWAPs.	10
4	Mechanics of Options; Trading Strategies with Options; Properties of Stock Options; Option Valuation- Binomial Model; Option Valuation- Black/Scholes. Option Sensitivities & Delta Hedging Value at Risk. Exotic Derivatives. Real Options.	20

Practical content

Text Books

1	

Reference Books

1	John Hull, Fundamentals of Futures and Options Markets, 6th edition, 2008.

2	W.D. Purcell and S.R. Koontz. Agricultural Futures and Options: Principles and Strategies, 2nd edition, Prentice Hall, Upper Saddle River, New Jersey.
3	C.A. Carter, Futures and Options Markets: An Introduction, Prentice Hall, Upper Saddle River, New Jersey.
4	Chicago Board of Trade, Commodity Training Manual, Chicago Board of Trade, Chicago, Illinois.
5	J.C. Hull, Fundamentals of Futures and Options Markets, 4 edition, Prentice Hall, New Jersey.
6	R.W. Kolb, Understanding Futures Markets, 5 edition, Blackwell Publishers.

Note:

Version 1.0.0.0 (First Digit= New syllabus/Revision in Full Syllabus, Second Digit=Revision in Teaching Scheme, Third Digit=Revision in Exam Scheme, Forth Digit= Content Revision)

L=Lecture, TU=Tutorial, P= Practical/Lab., TW= Term work, DT= Direct Teaching, Lab.= Laboratory work

CE= Continuous Evaluation, SEE= Semester End Examination

Mapping of CO with PO and PSO:

Semester 3: Course Name: IIIA08DRM DERIVATIVES AND RISK MANAGEMENT							
Course outcomes	**PO1**	**PO2**	**PO3**	**PO4**	**PO5**	**PO6**	**PO7**
IIIA08DRM.CO1	3	2	0	2	0	1	1
IIIA08DRM.CO2	3	3	0	2	0	1	2
IIIA08DRM.CO3	3	3	0	2	1	1	1
IIIA08DRM.CO4	3	3	0	2	1	2	2

Semester 3: Course Name: IIIA08DRM: DERIVATIVES AND RISK MANAGEMENT			
Course outcomes	**PSO1**	**PSO2**	**PSO3**
IIIA08DRM.CO1	2	1	2
IIIA08DRM.CO2	2	2	3
IIIA08DRM.CO3	2	2	3
IIIA08DRM.CO4	3	2	3