

DEPARTMENT OF MANAGEMENT STUDIES

COURSE PLAN – PART I			
Name of the programme and specialization	MBA – Elective course		
Course Title	Financial Derivatives		
Course Code	MB 843	No. of Credits	2
Course Code of Pre-requisite subject(s)	Nil		
Session	July / January <u>July</u>	Section (if, applicable)	N
Name of Faculty	Dr. J. Kirubakaran	Department	Management Studies
Official Email	kirubakaran@nitt.edu	Telephone No.	9791238845
Name of Course Coordinator(s) (if, applicable)	Dr. J. Kirubakaran		
Official E-mail	kirubakaran@nitt.edu	Telephone No.	
Course Type (please tick appropriately)	<input type="checkbox"/> Core course	<input checked="" type="checkbox"/> Elective course	

**Syllabus (approved in BoS)**

Unit I Introduction to Derivatives

Introduction to Financial Derivatives - Types of Derivatives - Forwards, Futures, Swaps, Options - Application of derivatives in Risk Management - Hedging and Speculation.

Unit II Forwards and Futures

Forwards and Futures market - Mechanics of futures markets - Different categories of Forwards and Futures - Hedging strategies - Valuation - Determination of forward and futures prices - Risk management using futures - Futures trading in exchanges.

Unit III Swaps

Characteristics of Swaps - Categories of Swaps - Mechanics of interest rate swaps - Currency swaps - Application - Valuation - Usage of Swaps in Risk Management.

Unit IV Options

Types of options and their characteristics - Specification of stock options - Application of options - Valuation of options - Properties of stock options - Merton model and binomial trees - The Black Scholes model - Options Trading on Exchanges.

Unit V Other Derivatives

Introduction to Interest rate derivatives - Weather derivatives - Exotic options - Derivatives current trends in India - Regulation and Governance of Derivatives Market.



**Text Books**

1. Hull.c.John. and Sankarshan Basu. *Options, Futures and Other Derivatives*, 10<sup>th</sup> edition, Pearson Education, Chennai (2018).
2. Gupta S L., *Financial Derivatives: Theory, Concepts and Problems*, 2<sup>nd</sup> edition, PHI learning, New Delhi (2017).

**References**

1. Kannadasn. M., *Fixed Income Securities: Valuation and Risk Management*, Cengage, (2022).
2. *Financial Derivatives and Risk Management* by Satyajit Das (PHI Learning) 1<sup>st</sup> Edition, (2012).
3. Durbin Michael, *All About Derivatives*. 2<sup>nd</sup> edition, Tata McGraw Hill publications, New Delhi(2010).

**COURSE OBJECTIVES**

**Course Objectives**

To provide a comprehensive understanding of derivatives and introduce the analytics of derivative valuation and application of derivatives in formulating simple corporate financial management strategies

**MAPPING OF COs with POs**

Course Outcomes	Programme Outcomes (PO) (Enter Numbers only)
1. To provide students with a deep understanding of financial derivatives instruments and markets.	1,3,5,6,8,10
2. To equip students with the necessary analytical skills to evaluate and manage financial derivative instruments in real world scenarios.	2,3,4,5,9
3. To help students understand the risks associated with derivative instruments and how to manage those risks.	1,5,7,8,10
4.	
5.	
6.	
7.	

**COURSE PLAN – PART II**

**COURSE OVERVIEW**

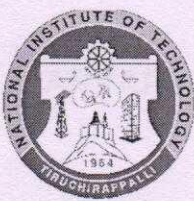
This course is an introductory course on financial accounting. To enable the students to understand the accounting principles and procedures starting from recording of transaction, posting them in to ledger and preparing trial balance. Using these, preparation of final financial statements major focus on external reporting purpose. It includes



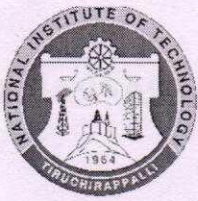
depreciation accounting and inventory valuations and accounting.

**COURSE TEACHING AND LEARNING ACTIVITIES** ( Add more rows)

S.No.	Week/Contact Hours	Topic	Mode of Delivery
1	1 <sup>st</sup> week	Introduction to Financial Derivatives – Types of Derivatives –Forwards, Futures, Swaps, Options -	Lecture, PPT Chalk & Talk
2	2 <sup>nd</sup> week	Application of derivatives in Risk Management	Lecture, Chalk & Talk, Tutorial
3	3 <sup>rd</sup> week	Forwards & Futures market-Mechanics of futures markets - Different categories of Forwards & Futures - Hedging strategies - Valuation-	Lecture, PPT Chalk & Talk
4	4 <sup>th</sup> week	Determination of forward and futures prices - Risk management using Forwards and Futures	Lecture, Chalk & Talk, Tutorial
5	5 <sup>th</sup> week	Characteristics of Swaps- Categories of Swaps- Mechanics of interest rate swaps -	Lecture, PPT Chalk & Talk
6	6 <sup>th</sup> week	Currency swaps - Application-Valuation- Usage of Swaps in Risk Management	Chalk & Talk, PPT, Tutorial
7	7 <sup>th</sup> week	Types of Options & their characteristics – Specification of stock options - Application of options-Valuation	Lecture, PPT Chalk & Talk
8	8 <sup>th</sup> week	Properties of stock options - Merton model - Binomial trees - The Black - Scholes Model –Risk Management using Options	Lecture, Chalk & Talk, Tutorial
9	9 <sup>th</sup> week	Other derivatives - Credit Derivatives, Interest Rate Derivatives, Insurance Derivatives,	Lecture, PPT Chalk & Talk
10	10 <sup>th</sup> week	Exotic Options - Regulation and Governance of Derivatives Market.	Lecture, Chalk & Talk, Tutorial



<b>COURSE ASSESSMENT METHODS</b> (shall range from 4 to 6)				
<b>S.No.</b>	<b>Mode of Assessment</b>	<b>Week/Date</b>	<b>Duration</b>	<b>% Weightage</b>
1	CYCLE TEST	6	1 hour	25
2	ASSIGNMENT REPORT	10		15
3	QUIZ	11	30 minutes	10
4	FINAL ASSESSMENT *	11	3 hours	50
<b>*mandatory; refer to guidelines on page 4</b>				
<b>COURSE EXIT SURVEY</b> (mention the ways in which the feedback about the course shall be assessed)				
<b>COURSE POLICY</b> (including compensation assessment to be specified)				
<b>ATTENDANCE POLICY</b> (A uniform attendance policy as specified below shall be followed)				
<ul style="list-style-type: none"><li>➤ At least 75% attendance in each course is mandatory.</li><li>➤ A maximum of 10% shall be allowed under On Duty (OD) category.</li><li>➤ Students with less than 65% of attendance shall be prevented from writing the final assessment and shall be awarded 'V' grade.</li></ul>				
<b>ACADEMIC DISHONESTY &amp; PLAGIARISM</b>				
<ul style="list-style-type: none"><li>➤ Possessing a mobile phone, carrying bits of paper, talking to other students, copying from others during an assessment will be treated as punishable dishonesty.</li><li>➤ Zero mark to be awarded for the offenders. For copying from another student, both students get the same penalty of zero mark.</li><li>➤ The departmental disciplinary committee including the course faculty member, PAC chairperson and the HoD, as members shall verify the facts of the malpractice and award</li></ul>				



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the punishment if the student is found guilty. The report shall be submitted to the Academic office.

- The above policy against academic dishonesty shall be applicable for all the programmes.

## ADDITIONAL INFORMATION, IF ANY

## FOR APPROVAL

Course Faculty

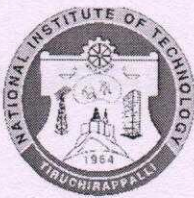
*[Signature]*

CC- Chairperson

*[Signature]*

HOD

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**Guidelines**

- a) The number of assessments for any theory course shall range from 4 to 6.
- b) Every theory course shall have a final assessment on the entire syllabus with at least 30% weightage.
- c) One compensation assessment for absentees in assessments (other than final assessment) is mandatory. Only genuine cases of absence shall be considered.

B.Tech. Admitted in				P.G.
2018	2017	2016	2015	
35% or (Class average/2) whichever is greater.		(Peak/3) or (Class Average/2) whichever is lower		40%

- d) Attendance policy and the policy on academic dishonesty & plagiarism by students are uniform for all the courses.
- e) Absolute grading policy shall be incorporated if the number of students per course is less than 10.
- f) Necessary care shall be taken to ensure that the course plan is reasonable and is objective.