

**JYOTI NIVAS COLLEGE AUTONOMOUS
SYLLABUS FOR 2019 BATCH AND THEREAFTER**

Programme: M.Voc. (Banking and Finance)

Semester: IV

COMMODITY DERIVATIVE MARKET

Course Code: 19MVB401

No. of Hours: 60

COURSE OBJECTIVES:

- To provide an insight about the functioning of commodities Derivative markets with respect to derivatives as an underlying asset.
- To determine the factors impacting the commodity prices
- To understand the uses of commodity derivatives

LEARNING OUTCOMES:

- It enables the student to understand the derivative trading in commodities and its risk management
- Students can understand the mechanism of commodity derivative trading
- Students can analyze the commodity derivative with respect to accounting treatment and taxation

UNIT I: INTRODUCTION TO COMMODITY MARKETS

10 HRS

History of Commodity Trading-Spot and Derivatives Trading in Commodities-Major Commodities Traded in Derivatives Exchanges in India-Participants in Commodity Derivatives Markets-Commodities Trading vis-à-vis Trading in Other Financial Assets-Commodity Markets Ecosystem-Commodity Market Indices-Factors Impacting the Commodity Prices

UNIT II: COMMODITY FUTURES

10 HRS

Introduction to Futures-Distinction between Forwards and Futures-Cost-of-Carry-Convergence-Fair Value of a Futures Contract-Convenience Yield-Commodity Futures and Commodity Forwards-Pay-off profile for Futures Contracts-Spot Price Polling

UNIT III: COMMODITY OPTIONS

10 HRS

Introduction to Options-Option Terminology-Pay off Profiles of Options Contracts-Determinants of Option Premium-Options on Commodity Futures

UNIT IV: USES OF COMMODITY DERIVATIVES

10 HRS

Hedging-Long Hedge and Short Hedge Strategy: Using Futures-Speculation-Arbitrage-Spread Trading-Basis-Option Trading Strategies

**UNIT V: CLEARING SETTLEMENT AND RISK MANAGEMENT OF
COMMODITY DERIVATIVES**

10 HRS

Clearing and Settlement-Delivery Process-Entities Involved in the Clearing and Settlement Process-Premium/Discount-Penalty for Delivery Default by the Seller-Deliveries in the Case of Physical Delivery-Risk Management for Exchange Traded Commodity Derivatives Markets-Position Limits and Computation of Open Position-Salient Features of Risk Containment Measures-Margin Mechanism.

UNIT VI: ACCOUNTING , TAXATION AND LEGAL ASPECTS **10 HRS**

Important Accounting Aspects related to Trading in Commodity Derivatives-Guidance Note Issued by ICAI on Accounting Treatment of Derivative Transactions-Important Tax Aspects related to Trading in Commodity Derivatives- Regulatory Structure of Commodities Market-Securities Contracts (Regulation) Act, 1956

PRACTICAL COMPONENTS:

- Report on the facilities associated with exotic options.
- Determine the method of arriving at the forward price of a derivative instrument.
- Identify the accounting standards followed with respect to derivative.
- Identify the accounting treatment for derivatives.

BOOKS FOR REFERENCE:

1. Commodity Derivatives, Indian Institute of Banking and Finance, MacMillan Publishers India limited, 1st edition 2007
2. Derivatives: Valuation and risk management, David.A.Dubofsky and Thomas W.Miller, JR. Oxford University Press, First Indian edition 2007