

**JYOTI NIVAS COLLEGE AUTONOMOUS  
SYLLABUS FOR 2018 BATCH AND THEREAFTER**

**Programme: B.Voc. (Banking and Finance)**

**Semester: V**

**FINANCIAL DERIVATIVES**

**Course Code: 18BVB504**

**No. of Hours: 60**

**COURSE OBJECTIVES:**

- To comprehend the working, uses and types of financial derivatives.
- To understand the payoff and pricing of future contracts and moneyness and Greeks of options trade.
- To provide an insight into complex derivative instruments like swaps and exotic options.

**LEARNING OUTCOMES:**

- Enable students to qualify NISM basic derivatives module so that they are eligible to work in stock broking firms.
- Students will be able to differentiate the different uses and working of derivatives for hedging, speculative and arbitrage purpose.
- Students will be able to choose their career in derivative trading.

**UNIT 1:**

**12HRS**

**Introduction to derivatives:** Definition-types of derivatives-forwards-futures-options and swaps-participants and functions-derivative trading in India-requirements for a successful derivative markets.

**UNIT 2:**

**14HRS**

**Introduction to forwards and futures:**

Pay off charts for future contracts-future pricing-basic difference between commodity, equity and index futures-Role of different players in future markets-uses of futures-understanding margin and mark to market under SPAN-market lot, tick size.

**UNIT 3:**

**12HRS**

**Options:**

Basics of option-pay off charts for options-option pricing-in the money-at the money-out the money-option Greeks-overview of binomial and black –Scholes option pricing models.

**UNIT 4:****10HRS****Option trading strategies:**

Option spreads-straddles-strangle-covered call-protective put-collar-butterfly spread-trading and settlement of options.

**UNIT 5:****12HRS****Clearing and settlement of futures and options:**

Clearing members-clearing mechanism-settlement of future contracts-settlement of option contracts-risk management SPAN-accounting and taxation of derivative transactions.

**SKILL COMPONENT**

- 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, 1<sup>st</sup> edition 2007
2. Derivatives: Valuation and risk management, David. A. Dubofsky and Thomas W. Miller, JR. Oxford University Press, First Indian edition 2007