



## Lesson Plan

**Program:** MBA **Semester:** IV **Course Code:** KMBN FM 03 **Course Name:** Financial Derivatives.

**Course Objectives:** This course is intended to **analyze the risks in different financial markets**. Acquire ability to selection of various options and then can apply them to specific markets. Student will be able to strategically manage the financial derivatives. The course objectives are outlined below:

**(CO1):** To make students aware of different types of Derivatives.

**(CO2):** To develop an understanding among students of financial derivatives and associated regulatory framework.

**(CO3):** To have an understanding of the derivative tools such as options, futures and their application to hedging.

**Session Duration:** 50 minutes

**Participants:** 37 Students

### Entry level knowledge and skills of students

- i. To make students understand the basic financing methods and their impacts on the firm.
- ii. To compute the value of a firm, taking into account the optimal future and forward market.
- iii. To build a critical opinion based on their derivative market and their observations and computations.

### Equipment required in Classroom/ Laboratory/ Workshop

- i. White-board, duster, markers.
- ii. Projector

### Assessment Schemes

S. No.	Criteria	Marks (150)
1	AKTU End Term Examination	100
2	Internal Evaluation Scheme	50
2(a)	Class Tests	30
2(a)(i)	Class Test-I	15
2(a)(ii)	Class Test-II	15
2(b)	Teacher Assessment (Continuous Evaluation)	20
2(b)(i)	Attendance	5
2(b)(ii)	Case Study/Topic Based Presentation	5
2(b)(iii)	*GD	10
	*MCQ Based Assignment	2



**Course Outcomes**(starting with action-oriented observable and measurable verb)

**(CO1):** Understand about various derivatives instruments and derivative Market structure.

**(CO2):** Understand the forward and future pricing mechanism and strategies for hedging using various future products.

**(CO3):** Understand the option pricing mechanism and using options strategies for mitigating risk.

**(CO4):** Understand the Commodity derivative market.

**(CO5):** Understand the Swaps derivatives and their mechanism.

L. No	Topics	Sub Topics	Date of implementation	Pedagogy	CO-Covered	Faculty Sign	HoD's Remark with Date
<b>Unit - 1</b>							
1.	Introduction	Derivatives market		Demonstration & Buzz session.	CO1		
2.	Introduction	Evolution and features of Derivatives		Demonstration & Buzz session.	CO1		
3.	Introduction	Types of Derivatives		Educational Game	CO1		
4.	Introduction	Forward		Simulation	CO1		
5.	Introduction	futures and option market		Demonstration & Buzz session.	CO1		
6.	Introduction	Forward market transactions		Group Discussion	CO1		
7.	Introduction	Forward contracts		Demonstration & Buzz session.	CO1		
8.	Case Study			Brain storming	CO1		
<b>Unit - 2</b>							
9.	Forwards and Futures	Concept of Opportunity Cost		Improved Lecture	CO2		
10.	Forwards and Futures	Cost of Debt, Preference and Equity capital		Demonstration & Buzz session.	CO2		
11.	Forwards and Futures	Composite Cost of Capital		Demonstration & Buzz session.	CO2		
12.	Forwards and Futures	Cash Flows as Profit and components of Cash Flows		Demonstration & Buzz session.	CO2		
13.	Forwards and Futures	Capital Budgeting Decisions		Demonstration & Buzz session.	CO2		
14.	Forwards and Futures	Calculation of NPV and IRR		Demonstration & Buzz session.	CO2		
15.	Forwards and Futures	Excel Application in Analyzing Projects		Demonstration & Buzz session.	CO2		
16.	Case Study			Brainstorming			
<b>Unit - 3</b>							
17.	Options	Introduction to options		Improved Lecture	CO3		
18.	Options	Hedging with Currency Options		Demonstration & Buzz session.	CO3		



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19.	Options	Speculation and Arbitrage with Options		Demonstration & Buzz session.	CO3		
20.	Options	Pricing Options		Demonstration & Buzz session.	CO3		
21.	Options	General Principles of Pricing		Demonstration & Buzz session.	CO3		
22.	Options	Black Scholes option pricing Model		Demonstration & Buzz session.	CO3		
23.	Options	Index Options		Demonstration & Buzz session.	CO3		
24.	Case Study			Brainstorming			
<b>Unit - 4</b>							
25.	Introduction to Commodity Markets	Speculation and Arbitrage with Index Options		Improved Lecture	CO4		
26.	Introduction to Commodity Markets	Index Options Market in Indian Stock Market		Demonstration & Buzz session.	CO4		
27.	Introduction to Commodity Markets	Use of different option strategies to mitigate the risk		Demonstration & Buzz session.	CO4		
28.	Introduction to Commodity Markets	Financial Swaps		Demonstration & Buzz session.	CO4		
29.	Introduction to Commodity Markets	Managing Interest Rate Exposure		Demonstration & Buzz session.	CO4		
30.	Introduction to Commodity Markets	Interest Rate Swaps		Demonstration & Buzz session.	CO4		
31.	Introduction to Commodity Markets	Currency Swaps		Demonstration & Buzz session.	CO4		
32.	Case Study			Brainstorming			
<b>Unit - 5</b>							
33.	Swaps and other derivatives	Speculation and Arbitrage with Index Options		Improved Lecture	CO5		
34.	Swaps and other derivatives	Index Options Market in Indian Stock Market		Demonstration & Buzz session.	CO5		
35.	Swaps and other derivatives	Use of different option strategies to mitigate the risk		Demonstration & Buzz session.	CO5		
36.	Swaps and other derivatives	Financial Swaps		Demonstration & Buzz session.	CO5		
37.	Swaps and other derivatives	Managing Interest Rate Exposure		Demonstration & Buzz session.	CO5		
38.	Swaps and other derivatives	Interest Rate Swaps		Demonstration & Buzz session.	CO5		
39.	Swaps and other derivatives	Currency Swaps		Demonstration & Buzz session.	CO5		
40.	Case studies	Forward Rate Agreement		Brainstorming			



Revision							
41.	Question Bank Unit-1	Unit-1		Improved Lecture	CO1		
42.	Question Bank Unit-2	Unit-2		Demonstration & Buzz session.	CO2		
43.	Question Bank Unit-3	Unit-3		Demonstration & Buzz session.	CO3		
44.	Question Bank Unit-4	Unit-4		Demonstration & Buzz session.	CO4		
45.	Question Bank Unit-5	Unit-5		Demonstration & Buzz session.	CO5		
46.	Case Study discussion	In general		Demonstration & Buzz session.	CO1		
47.	Case Study discussion	In general		Demonstration & Buzz session.	CO3		
48.	Class Test			Brainstorming	CO5		

### Text Books:

1. Thomas Susan, Derivatives Market in India; Tata McGraw Hill, 2005.
2. Financial Derivatives: Theory, Concepts and Practices by S.L. Gupta, PHI, 2013.
3. Financial Derivatives by S.S. SKumar, PHI, 6<sup>th</sup> ed.
4. Options, Futures and other Derivatives, John C. Hull; Prentice Hall of India; New Delhi, 10<sup>th</sup> ed.

### Reference Books:

- 1) Financial Derivatives by S.S. SKumar, PHI, 6<sup>th</sup> ed.
- 2) Options, Futures and other Derivatives, John C. Hull; Prentice Hall of India; New Delhi, 10<sup>th</sup> ed.

### Journals:

1. Toopalli, Sirisha and Kalyan, Nalla Bala, A Study on the Derivatives Market in India (December 27, 2019). Available at SSRN: [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3510065](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3510065)
2. Teodora Paligorova & Rhonda Staskow, 2014. "The Use of Financial Derivatives by Canadian Firms," Bank of Canada Review, Bank of Canada, vol. 2014 (Autumn), pages 47-54, <https://ideas.repec.org/f/ppa1029.html>

### Electronic Database:

1. [file:///C:/Users/Laptop/Downloads/Financial%20Derivatives%20\(KMBFM03\)/Financial%20Derivatives%20\(KMBFM03\)/6.%20Notes/FD\\_NOTES.pdf](file:///C:/Users/Laptop/Downloads/Financial%20Derivatives%20(KMBFM03)/Financial%20Derivatives%20(KMBFM03)/6.%20Notes/FD_NOTES.pdf)
2. <https://www.himpub.com/documents/Chapter721.pdf>