



APPLIES TO ACADEMIC YEAR 2006/2007

BØK 2501 Options and Futures

Program

Bachelor in Finance (3. year)

Responsible for the course

Knut Sagmo

Department

Financial Economics

Term

According to study plan

ECTS Credits

6

A basic understanding of pricing and practical use of options and futures is essential to all finance students, regardless of whether they pursue a career in investment, corporate finance, or commercial banking.

Objective

To provide students with basic understanding and appreciation of financial instruments whose value is determined by the valuation of some other market-traded securities. Sharing in this characteristic, options and futures are referred to as derivative assets. This introduction to the options and futures markets aims to provide the intuition needed to understand the reasoning behind the arbitrage arguments leading up to the mathematics of the pricing of contingent claims.

Prerequisites

BØK 8950/EXC 2300 Basic Financial Management, MET 2351 Econometrics, and BØK 9432/9932 Financial Strategy, or equivalent courses.

Compulsory literature

Books:

Strong, Robert A. 2005. Derivatives: an Introduction. 2nd ed. Mason, Ohio: Thomson - South-Western

Other:

Artikler og annet utdelt materiale som har vært diskutert i løpet av forelesningsserien

Recommended literature

Books:

McDonald, Robert L. 2006. Derivatives markets. 2nd ed. Boston, Mass.: Addison Wesley

Course outline

1. Introduction - Basics of Stock Option Pricing	Chapters 1-2 (Strong)
2. Basic Option Strategies, Combinations and Spreads	Ch. 3-4
3. Option Pricing: Black-Scholes OPM	Ch. 5-6
4. The Option Greeks	Ch. 7
5. The Futures Market	Ch. 8
6. Stock Index Futures	Ch. 9
7. Foreign Exchange Futures	Ch. 10
8. Interest Rate Futures	Ch. 11

Computer-based tools

Excel, Maple, and course-adapted software.

Course structure

36 hours of class-room teaching (12 lectures) in addition to 6 hours of tutoring related to assigned exercise problems. Exercises highlighting and demonstrating often-used, practical applications of derivative instruments will be used extensively in class. Completion of

mandatory homeassignments are required in order to register for the final exam.

Evaluation

A three hour individual written exam concludes the course.

Evaluation code(s)

BØK 25011 - Written exam accounts 100% of the grade in BØK 2501 Opsjoner og futures, 6 credits.

Aids at the examination

Advanced calculator and interest rate tables.

Makeup exam

At the next ordinary exam.