



APPLIES TO ACADEMIC YEAR 2006/2007

## GRA 6535 Derivatives

### Program

Advanced Specialization Course (MSc), Master of Science in Business and Economics, Master of Science in Business and Economics (Finance), Master of Science in Financial Economics, Master of Science in Management

### Responsible for the course

Bernt Arne Ødegaard

### Department

Financial Economics

### Term

According to study plan

### ECTS Credits

6

### Objective

A thorough understanding of the workings and pricing of derivative securities.

### Prerequisites

GRA 6533 Financial Theory and GRA 6532 Introduction to Derivatives and Risk management

### Compulsory literature

#### Books:

Hull, John C. 2006. Options, futures and other derivatives. 6th ed. Upper saddle river, NJ: Prentice-Hall

### Recommended literature

### Course outline

Derivative markets, understanding derivatives payoffs, combining derivatives, arbitrage bounds for derivatives prices, the binomial model and its continuous time limit, the mathematics of continuous time (heuristically), the Black Scholes model, adjusting the Black Scholes and binomial to price futures and currency options, delta hedging, exotic derivatives and real options.

### Computer-based tools

Will be used in addition to course homepage.

### Course structure

Lectures 36 hours

### Evaluation

Your course grade will be based on the following activities and weights:

75% of the evaluation is based on a 3 hour exam at the end of the course. The remainder 25% is based on class work (in the form of a mix of some / all of the following: hand in of case write ups, projects and homeworks; case presentations and class participation; in class midterm and quizzes). Both parts of the evaluation need to be passed in order to get a grade in the course.

Specific Information regarding any aspect of student evaluation will be provided in class. It is the student's responsibility to obtain this information. Please note that it is the students responsibility to obtain any information provided in class that is not included on the course homepage/Blackboard or text book. Homepages and/or Blackboard are not designed for the purpose of students who choose not to attend class.

### Evaluation code(s)

GRA 65353 accounts for 100 % of the final grade in the course GRA 6535.

**Aids at the examination**

Advanced Calculator, Interest Rate Tables, Berck and Sydsæter, Economists' mathematical manual, in Norwegian or English. Bilingual dictionary.

**Makeup exam**

Re-takes are only possible at the next time a course will be held. When course evaluation consists of class participation or process elements, the whole course must be re-evaluated when a student wants to retake an exam. Retake examinations entail an extra examination fee.

**Honor Code**

Academic honesty and trust are important to all of us as individuals, and they are encouraged and promoted by the honor system. This is a most significant university tradition. The honor system is the responsibility of students. As faculty, we share the commitment to the ideals of the honor system.

At no time should notes or papers or personal consultations based on previous semesters of this course be used. As part of the honor code papers handed in as part of the course is, at the discretion of the professor, scanned for plagiarism. We are using Safe Assignment in Black Board for this purpose. Any violation of the honor code will be dealt with in accordance with BI's procedures on cheating. These issues are a serious matter to everyone associated with the program. They are at the heart of the Honor Code and academy integrity. If you have any questions about your responsibilities under the honor code, please ask.