



APPLIES TO ACADEMIC YEAR 2007/2008

BØK 2501 Options and Futures

Program

Bachelor in Finance (3. year)

Responsible for the course

Barbara Bukhvalova

Department

Financial Economics

Term

According to study plan

ECTS Credits

6

Language of instruction

English

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

Objective

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

Prerequisites

BØK 8950/EXC 2300 Basic Financial Management, BØK 2632 Financial Strategy, MET 2651 Econometrics, and MET 2600 Mathematical Analysis, or equivalent courses.

Compulsory literature

Books:

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

Other:

All material(papers, newspaper stories, etc) discussed in class.

Recommended literature

Books:

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

Course outline

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

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 application of derivative instrument pricing is used extensively in the class.

Evaluation

Part 1 - There will be 4-6 mandatory home assignments. Satisfactory completion of all the home assignments is required in order to take the final exam. 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 whilst attendance is not compulsory, it is students' responsibility to obtain information provided in class that is not included on the course homepage/Blackboard or text book. Notice also that the course homepage and/or Blackboard are not designed for the purpose of accomodating the needs of students choosing not to attend class. Pass/Fail.

Part 2 - A three hour, individual, written exam concludes the course. The examination accounts for 100% of the grade in the course.

Both part 1 and part 2 must be passed to obtain final grade in the course.

Evaluation code(s)

BØK 25012 – Process evaluation accounts for 100% of the grade in BØK 2501 Options and Futures, 6 credits.

Aids at the examination

Advanced calculator.

Support materials at written examinations are explained under exam information in our web-based student handbook. Please note use of calculator. <http://www.bi.no/studenthandbook>

Makeup exam

A re-sit is held in at the next scheduled exam in the course. Students who are taking a re-sit exam must take the course all over including all parts of evaluation.