



APPLIES TO ACADEMIC YEAR 2009/2010

BØK 2501 Options and Futures

Programme

Bachelor in Finance (3. year)

Responsible for the course

Department

Term

According to study plan

ECTS Credits

6

Language of instruction

English

Introduction

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 reading

Books:

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

Other:

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

Recommended reading

Books:

Hull, John C. 2008. Fundamentals of futures and options markets. 6th ed. Upper Saddle River, N.J.: Pearson Prentice Hall

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 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.

There will be 4-6 mandatory home assignments. 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.

Examination

A three hour individual multiple choice exam concludes the course.

Exam code(s)

BØK 25013 - Multiple choice exam accounts for 100% of the grade in BØK 2501 Options and Futures, 6 credits.

Examination support materials

BI-approved exam calculator. Exam aids at written examinations are explained under exam information in our web-based Student handbook. Please note use of calculator and dictionary. <http://www.bi.edu/studenthandbook/examaids>

Re-sit examination

Due to changes in our Bachelor Programmes from autumn 2009, there also will be changes in every single course.

This course will be lectured for the last time spring 2011. Re-sit exam will be offered every term even spring 2013.

Additional information