



APPLIES TO ACADEMIC YEAR 2010/2011

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.. Mass.: Addison Wesley

Other:

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

Recommended reading

Books:

Hull, John C.. 2010. Fundamentals of futures and options markets. Pearson Education (US)

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 classroom 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 the students' responsibility to obtain information provided in class that is not included on the course homepage/It's learning or in textbook. Notice also that the course homepage and/or It's learning are not designed for the purpose of accommodating the needs of students choosing not to attend class.

Examination

A three-hour individual multiple-choice examination concludes the course.

Examination code(s)

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

Examination support materials

BI-approved exam calculator. Examination support materials at written examinations are specified under exam information in our web-based Student Handbook. Please note the use of calculator and dictionary. <http://www.bi.edu/studenthandbook/examaids>

Re-sit examination

Due to changes in our Bachelor Programmes from the autumn semester of 2009, there also will be changes in every single course. This course will be taught for the last time in the spring semester of 2011. A re-sit exam will be offered every term including the spring semester of 2013.

Additional information