

SIMON FRASER UNIVERSITY

Faculty of Business Administration

COURSE: BUS 316-3 D1

SEMESTER: Fall 2004

TITLE: Derivative Securities

INSTRUCTOR: Geoffrey Poitras

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Prerequisites: BUS 312 & BUEC 333; 60 credit hours.
Students with credit for BUS 416 may not take BUS 316 for further credit.

Required Text: Poitras, **Risk Management, Speculation and Derivative Securities** (Academic Press, 2002)

Supplementary Text: Chance, **An Introduction to Derivatives and Risk Management** (Harcourt, 2001)

Course Objectives:

The course provides both a theoretical and practical introduction to derivative securities: forward, futures, option and swap contracts. Theoretical topics include pricing of derivatives by arbitrage and the Black-Scholes option pricing formula. Practical topics include the implementation of speculative trading strategies and an introduction to risk management using derivative securities.

Course Coverage:

- A Futures and Forward Contracts
 1. Introduction
 2. Price Determination: Hedgers, speculators and arbitrageurs.
 3. Hedging Strategies
 4. Speculative Strategies: The mechanics of spread trading.
- B Options
 1. Introduction
 2. Option Strategies
 3. Option Valuation I: Mathematical background
 4. Option Valuation II: Black-Scholes and its developments
 5. Applications of options valuation to other areas

Grading:

15% Participation (includes futures/options game)

25% Take-home Assignments

25% Midterm Exam

35% Final Exam

100%

NOTE: The in-class exams will be partially based on the take-home assignment questions.