

SIMON FRASER UNIVERSITY

Faculty of Business Administration

COURSE: BUS 493-3 E1

SEMESTER: Fall 2003

TITLE: Advanced Derivative Securities

INSTRUCTOR: Prof. Geoffrey Poitras

Office: WMX 3333 Phone: 291-4071

e-mail: poitras@sfu.ca webpage: www.sfu.ca/~poitras

Prerequisites: BUS 312 & BUEC 333; BUS 315 & BUS 316; 60 credit hours.

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

Supplementary Materials: Supplementary readings will be posted on the Web and on Reserve in the Library.

Course Objectives:

This course provides a more advanced treatment of topics covered in BUS 316. More precisely, the course provides both a theoretical and practical examination of free standing 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. Price Determination: Hedgers, speculators and arbitrageurs.
2. Hedging Strategies
3. Speculative Strategies: The mechanics of spread trading.

B Options

1. Option Strategies
2. Option Valuation I: Mathematical background
3. Option Valuation II: Black-Scholes and its developments
4. Applications of options valuation to other areas

Grading:

10%	Participation (futures/options game)
20%	Term Paper
20%	Group Presentation
25%	Midterm Exam
<u>25%</u>	<u>Final Exam</u>

100%

The exams will be based on assignments that will be handed out during the term.