SIMON FRASER UNIVERSITY
Faculty of Business Administration

BUS 492
RISK MANAGEMENT

DETAILED COURSE SYLLABUS

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

Supplementary Materials:
Lecture notes and some supplementary readings will be posted on the class webpage (www.sfu.ca/~poitras/BUS492.htm)

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 the use of "free standing" derivative securities in commodity and financial risk management, i.e., forward, futures, option and swap contracts. Theoretical topics include the mean-variance optimal solution to the hedging problem. Practical topics include examination of actual risk management practices of firms as revealed in public filings.

NOTE: RSD is *Risk Management, Speculation and Derivative Securities;* Poitras (2000) is the *Early History of Financial Economics*; SAIS is Poitras (2005), *Security Analysis and Investment Strategy*.

WEEKLY CLASS SCHEDULE

RISK MANAGEMENT

Week 1 Introduction
1.1 Review of Syllabus/Class Materials/Formation of Groups
1.2 What is Risk Management?
1.3 History of Risk Management with Derivative Securities
1.4 Exchanges, OTC and Available Contracts
Readings: RSD, Sec. 1.I, 1.II, 1.III; Poitras (2000), chapter 9.

Week 2 Intro. to Risk Management

2.1 Corporate Usage of Derivative Securities
2.2 Financial Risk Management
2.3 Commodity Risk Management
2.4 Regulations and Regulators

Readings: RSD Sec. I.IV, I.V, 2.III

Week 3 Institutional and Theoretical Basics

3.1 Definitions, Profit Functions and Margins
3.2 Types of Risk and Measuring Risk
3.3 Value at Risk and Other Measures
3.4 Sources of Information on the Internet

Readings: RSD Sec. 1.IV, 2.II.

Week 4 Risk Management and Hedging

4.1 Risk Minimization or Speculation?
4.2 Optimal Hedging
4.3 Transactions Hedging
4.4 Managing Interest Rate Risk

Readings: RSD, Sec. 2.I, 6.I; ; SAIS chapter 5.

Week 5 Corporate Risk Management

5.1 Basics of Corporate Risk Management
5.1 Rationales for Corporate Risk Management.
5.2 Developing a Risk Management Philosophy
5.3 Strategic and Enterprise Wide Risk Management

Readings: RSD, 2.IV, 6.II

Week 6   Natural Hedging, Diversification and Insurance

6.1 Implementing Natural Hedges
6.2 Diversification and Risk Management
6.3 Various Forms of Portfolio Insurance
6.4 Risk Management in Agriculture

Readings: RSD, 2.IV, 6.III, 7.IV

Week 7   Midterm Exam and Review

Week 8 Review of Option Properties

8.1 Definitions and Expiration Date Profit Diagram
8.2 Put-Call Parity and Replication
8.3 Risk Management with Options
8.4 Introduction to Black-Scholes

Readings: RSD Sec. 7.I, 7.II, 8.I

Weeks 9-11

GROUP PRESENTATIONS OF
CORPORATE RISK MANAGEMENT PRACTICES

Week 12 Applications of Option Techniques

12.1 Portfolio Management with Options
12.2 The Greeks: Delta, Theta, Gamma
12.3 Portfolio Insurance: Methods and Application
12.4 Value at Risk with Options

Readings: RSD Sec. 9.I, 9.II; 9.III

Week 13 Windup and Final Exam Review