

BUSM 7022 DERIVATIVES

Credit Points 10

Legacy Code 51169

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Description This unit provides an introduction to the major classes of derivatives: forwards, futures, swaps and options. These are studied in detail with the objective of elucidating the ways in which these instruments can be used for the purposes of hedging, speculation and arbitrage. In addition to the analysis of derivative usage and market growth, considerable attention is given to the objective of gaining an understanding of the fundamentals of derivative pricing.

School Business

Discipline Business And Management

Student Contribution Band HECS Band 4 10cp

Level Postgraduate Coursework Level 7 subject

Restrictions

Students must be enrolled in a postgraduate Business program.

Learning Outcomes

On successful completion of this subject, students should be able to:

1. Evaluate the operational mechanics of derivatives trading;
2. Analyse the roles of the key participants in derivatives markets;
3. Evaluate the institutional and organisational structure of key derivatives markets;
4. Analyse the theoretical background to derivatives pricing such as cash and carry arbitrage and probability-based models;
5. Explain the history of derivatives markets and risk management generally.

Subject Content

The nature of derivatives
 Mechanics of futures markets
 Hedging strategies
 Using derivatives for risk management
 Determination of forward and futures prices
 Interest rate futures
 Swaps
 Mechanics of options markets
 Properties of stock options
 Trading strategies involving options
 Introduction to option pricing models

Assessment

The following table summarises the standard assessment tasks for this subject. Please note this is a guide only. Assessment tasks are regularly updated, where there is a difference your Learning Guide takes precedence.

| Item | Length | Percent | Threshold | Individual/ Group Task |
|--------------------|-----------|---------|-----------|---------------------------|
| Intra-session Exam | 1.5 hours | 30 | N | Individual |

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|-----------------|------------|----|---|------------|
| Critical Review | 20 minutes | 20 | N | Group |
| Final Exam | 2 hours | 50 | Y | Individual |

Prescribed Texts

- Hull, J 2014, Fundamentals of futures and options markets, 8th edn, Pearson, Harlow, Essex. [Available online]

Teaching Periods

Quarter 2

Parramatta City - Macquarie St

Evening

Subject Contact Peter Kavalamthara ([https://directory.westernsydney.edu.au/search/name/Peter Kavalamthara/](https://directory.westernsydney.edu.au/search/name/Peter%20Kavalamthara/))

View timetable (https://classregistration.westernsydney.edu.au/even/timetable/?subject_code=BUSM7022_22-Q2_PC_E#subjects)