



Business Administration

Course Number:	BUAD 353
Course Title:	DERIVATIVE SECURITIES
Credits:	3
Calendar Description:	This course discusses the valuation methods and hedging strategies of options, futures, swaps and other financial derivatives. It presents a balance of the institutional details, theoretical foundations, and practical applications.
Semester and Year:	Fall 2017
Prerequisite(s):	BUAD 350 and minimum third-year standing
Corequisite(s):	No
Prerequisite to:	No
Final Exam:	Yes
Hours per week:	3
Graduation Requirement:	Elective – BBA, Finance
Substitutable Courses:	No
Transfer Credit:	
Special Notes:	
Development Date:	January 2003
Revision Date:	November 2013

Chair's Approval:

A handwritten signature in black ink, appearing to read "Laura A. P.", written over a light grey rectangular background.

Professor

Name	Phone number	Office	Email
Ellena Mitropolsky <i>Course Captain</i>	Email	K: B207	emitropolsky@okanagan.bc.ca

Learning Outcomes

Upon completion of this course student will be able to

- calculate profit/loss of options, futures, swaps, and other derivatives based on given information.
- demonstrate sufficient knowledge of the pricing mechanism of derivatives.
- trade derivatives as hedgers or speculators.
- formulate strategies in portfolio management using various derivatives.

Course Objectives

This course will cover the following content:

See weekly schedule

Evaluation Procedure

Investment Practice	20%
Group Project	20%
Participation and Contribution	10%
Mid-term Exam	25%
Final Exam	25%
Total	100%

Notes

In order to pass this course, the student must obtain a weighted average of 50% or higher on exams and quizzes. There will be no make-up or supplementary exams/quizzes. Class attendance is required and active class participation/contributions are expected.

Course Format

Lectures, case studies, presentations, in-class discussions, investment practice, reading assignments, and exams.

Group Project – Case-based

The students will be put in groups to complete a comprehensive case study followed by in-class presentation.

Investment Practice - Individual

The investment practice component requires students to participate in the StockTrak Global Portfolio Simulations.

Please register using this link:

<http://www.stocktrak.com:80/members/registerstudent?className=BUAD353>. The due date for registration is September 28, 2017 – and you are encouraged to register ASAP. You can start trading on September 1 and your last trading day is December 1.

You are allowed to trade stock and options.

You will submit a written investment report before the last day of the class. It should include the following sections:

- One page executive summary including final holdings of the portfolio and the final rank in the competition.
- The transaction history and justifications for each transaction (please provide company names, not just symbols).
- An essay stating what has been learned from the competition – 2 pages.

Required Texts/Resources

- Fundamentals of Futures and Options Markets, John C. Hall, 9th Edition, Pearson
- Solutions Manual and Study Guide

Case Pack: It is mandatory that each student should purchase his/her own case pack directly from Ivey, due to copyright requirements.

Instructions on how to purchase your case pack will be provided in the first class, and will be posted on Moodle. Please keep your receipts in case Ivey asks to see them.

Course Schedule

Date		Topic	Textbook
Week of:		Wed. Sept 6 Classes begin Thanksgiving Mon. Oct 9 – no classes Remembrance Day stat holiday Mon. Nov 13 – no classes Tues. Dec 5 Last day of regularly scheduled classes	
Sep	3-9	No class	
	10-16	Introduction Arbitrage discussion Uses of derivatives Futures and forwards markets	1, 2
	17-23	Margins explained Hedging strategies using futures Valuation of forwards and futures	3, 5
	24-30	Case Study: VOYAGES SOLEIL – THE HEDGING DECISION	
Oct	1-7	Introduction to interest rates and currency swaps Case study: CARREFOUR	7
	8-14	No class – Thanksgiving holiday	
	15-21	Exam 1	
	22-28	Mechanics of Options Markets Properties of Stock Options	9, 10
Oct Nov	29 – 4	Trading Strategies involving options Options Valuation – Binomial model	11, 12
	5-11	Binomial Model continued The Black-Scholes Model	12 13
	12-18	No Class – Remembrance Day Holiday	
	19-25	The Black-Scholes Model continued Option Greeks & Derivatives Risk Management	13, 17
Nov Dec	26 – 2	Group project presentations	
	3-9	Other derivatives: exotic options, credit derivatives, weather derivatives Review. Investment practice report is due.	22, 23, 24
Dec	7-18	Final Exam Period	

SKILLS ACROSS THE BUSINESS CURRICULUM

The Okanagan School of Business promotes core skills across the curriculum. These skills include reading, written and oral communications, computers, small business, and academic standards of ethics, honesty and integrity.

STUDENT CONDUCT AND ACADEMIC HONESTY

What is the Disruption of Instructional Activities?

At Okanagan College (OC), disruption of instructional activities includes student “conduct which interferes with examinations, lectures, seminars, tutorials, group meetings, other related activities, and with students using the study facilities of OC”, as well as conduct that leads to property damage, assault, discrimination, harassment and fraud. Penalties for disruption of instructional activities include a range of sanctions from a warning and/or a failing grade on an assignment, examination or course to suspension from OC.

What is Cheating?

“Cheating includes but is not limited to dishonest or attempted dishonest conduct during tests or examinations in which the use is made of books, notes, diagrams or other aids excluding those authorized by the examiner. It includes communicating with others for the purpose of obtaining information, copying from the work of others and purposely exposing or conveying information to other students who are taking the test or examination.”

Students must submit independently written work. Students may not write joint or collaborative assignments with other students unless the instructor approves it in advance as a group/team project. Students who share their work with other students are equally involved in cheating.

What is Plagiarism?

Plagiarism is defined as “the presentation of another person’s work or ideas without proper or complete acknowledgement.” It is the serious academic offence of reproducing someone else’s work, including words, ideas and media, without permission for course credit towards a certificate, diploma, degree and/or professional designation. The defining characteristic is that the work is not yours.

“Intentional plagiarism is the deliberate presentation of another’s work or ideas as one’s own.” Intentional plagiarism can be a copy of material from a journal article, a book chapter, data from the Internet, another student, work submitted for credit in another course or from other sources.

“Unintentional plagiarism is the inadvertent presentation of another’s work or ideas without proper acknowledgement because of poor or inadequate practices. Unintentional plagiarism is a failure of scholarship; intentional plagiarism is an act of deceit.”

What are the Students’ Responsibilities to Avoid Plagiarism?

Students have a responsibility to read the OC Plagiarism Policy and Procedures outlined in the OC calendar, which is available in online format www.okanagan.bc.ca. Students must acknowledge the sources of information used on all their assignments. This usually involves putting the authors’ name and the year of publication in parentheses after the sentence in which you used the material, then at the end of your paper, writing out the complete references in a Reference section.

“Students are responsible for learning and applying the proper scholarly practices for acknowledging the work and ideas of others. Students who are unsure of what constitutes plagiarism should refer to the UBC publication “*Plagiarism Avoided; Taking Responsibility for your Work*”. This guide is available in OC bookstores and libraries.

Students are expected to understand research and writing techniques and documentation styles. The Okanagan School of Business requires the use of the APA or MLA style, but suggests that students cite references using the APA guidelines (see Publication Manual of the American Psychological Association, 6th edition (2009)). A copy of the APA manual is available in the reference section and also available for circulation from OC libraries. The library website has access to these two major citing styles.

What are the Penalties for Plagiarism and Cheating?

The Okanagan School of Business does not tolerate plagiarism or cheating. All professors actively check for plagiarism and cheating and the Okanagan School of Business subscribes to an electronic plagiarism detection service. All incidents of plagiarism or cheating are reported and result in a formal letter of reprimand outlining the nature of the infraction, the evidence and the penalty. The Dean of the Okanagan School of Business and the Registrar record and monitor all instances of plagiarism and cheating. Penalties for plagiarism and cheating reflect the seriousness and circumstances of the offence and the range of penalties includes suspension from OC.