



# Business Administration

Course Number:	<b>BUAD 353</b>
Course Title:	<b>DERIVATIVE SECURITIES</b>
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:	<b>Winter 2015</b>
Prerequisite(s):	BUAD 350 and minimum third-year standing
Corequisites(s):	No
Prerequisite to:	No
Final Exam:	No
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:	Signature

**Professor**

Name	Phone number	Office	Email
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**Learning Outcomes**

Upon completion of this course, students will be able to:

- Understand the fundamentals of options, futures, swaps, and other derivative markets
- 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 including:

See weekly schedule.

**Evaluation Procedure**

<b>Option 1</b>	
Investment Practice	30%
Exam 1	27%
Exam 2	33%
Quizzes	10%
Total	100%
<b>Option 2</b>	
Exam 1	40%
Exam 2	50%
Quizzes	10%
Total	100%

**Notes**

In order to pass this course, the student must obtain a weighted average of 50% or higher on two 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, in-class discussions, investment practice, reading assignments, and exams.

**Investment Practice**

The investment practice component requires students to participate in the StockTrak Global Portfolio Simulations. It is evaluated based on a written investment report and an oral presentation. The investment report should reflect Learning Outcomes listed in this course outline. 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

**Required Texts/Resources**

Derivatives: An introduction (2nd ed.), R. A. Strong, Thomson South-Western (OC Course Pack).

Additional readings will be distributed in class or posted on Moodle.

## Course Schedule

Date		Topic	Textbook
		Mon. Jan 5 Classes begin Family Day Feb 9 & Feb 10 to 13 Reading Break – no classes Good Fri. Apr 3 & Easter Mon. Apr 6 – no classes Tues. Apr 14 Last day of regularly scheduled classes	Strong Text
Jan	9	Introduction Basic Principles of stock Options	Ch 1, 2
	16	Basic Option Strategies: Covered Calls and Protective Puts Options Combinations and Spread	Ch 3, 4
	23	Options Pricing	Ch 5
	30	The Black-Scholes Options Pricing Model Options Greeks	Ch 6, 7
Feb	6	Exam 1 Fundamentals of the Futures Market	Ch 8
	9 - 13	READING BREAK (no classes)	
	20	Fundamentals of the Futures Market (continued) Stock Index Futures	Ch 8, 9
	27	Stock Index Futures (continued) Foreign Exchange Futures	Ch 9, 10
Mar	6	Fundamentals of Interest Rate Futures	Ch 11
	13	Futures Contracts and Portfolio Management Swaps and Interest Rate Options	Ch 12, 13
	20	Other Derivative Assets Financial Engineering and Risk Management	Ch 15 Ch 16
	27	Contemporary Issues Exam 2	Ch 17
	3	Good Friday (no classes)	
	10	Investment Practice Presentations Investment Report Due	
Apr	6		
	13		
Apr	17 - 25	Final Exam Period (No Final Exam)	

## **SKILLS ACROSS THE BUSINESS CURRICULUM**

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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**

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### **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](http://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, 6<sup>th</sup> 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.