



**MANGALORE UNIVERSITY**  
**Department of Commerce**  
**M.Com.**

**CMS555: Optional (FMAIS): FINANCIAL DERIVATIVE MARKETS**

**Work load: 3 hours lecture and 2 hours tutorial per week: total 4 credits**

**Learning Objectives:**

- The objective of this course is to provide students with knowledge of hedging investments.

**Course Outcomes:**

1. Acquaints with the nature of derivatives markets and familiarizes the derivatives process and strategies.

**Unit-1: Introduction:**

Meaning of Derivatives, forwards and futures contract, option, traders in futures and option markets, functions of derivatives market, world derivatives market and evolution of derivatives market in India.

**Unit-2:**

**Forwards and Futures Contract:** Valuation of forwards and futures, stock index futures, valuation of stock index futures, hedging using futures contract and stock index futures contract, adjusting the beta of portfolio using stock index futures.

**Unit-3:**

**Options Contracts:** Characteristics of option contracts, buyer and seller attitudes, option pricing, risk and return on equity option, Pay-off-on options, option trading strategies.

**Unit-4:**

**Valuation of Options:** A graphic analysis of call and put values, characteristics of option values, models of valuation of option, Binomial Option Pricing Model, applicability of Black and Scholes Model.

**Unit-5:**

**Trading Risks and Regulations:** Trading mechanism, types of orders, risks in derivatives trading, regulations on derivatives, and recent trends in derivatives market in India.

**References**

1. N.D.Vohra and B.R.Bagri, Futures and Options, Tata McGraw Hill, New Delhi.
2. John C Hull, Fundamentals of Futures and Options market, Pearson Education, New Delhi
3. Robert W Kolb, Understanding Futures Markets, PHI, New Delhi

4. Franklin R Edwards, Futures and Options, Tata McGraw Hill, NewDelhi
5. V K Bhalla, Financial Derivatives and Risk Management, S Chand, NewDelhi
6. Chance, Introduction to Derivatives and Risk management, ThomsonLearning
7. D C Patwari, Options and Futures in an Indian Perspective, JaicoPublishers
8. I.M, Pandey, Advanced Financial Management, Vikas Publishing House, NewDelhi.
9. William F. Sharpe, Gordon J Alexander and Jeffery V Bailey, Investments, Prentice Hall New Delhi
10. R.Mahajan, Futures and Options, Vision Books Pvt Ltd, NewDelhi.
11. Prafulla Kumar Swain, Fundamentals of Derivatives,HPH
12. BusinessDailies
13. Parasuraman, “Derivatives”SSS Kumar “Derivativ

