



Gyanmanjari
Innovative University

Course Syllabus
Gyanmanjari Institute of Management Studies
Semester-3 (MBA)

Subject: Risk Management and Derivatives - MBAFM13510

Type of course: Major (Core)

Prerequisite:

Foundational knowledge in finance and business management.

Rationale:

The objective of this course is to enable the students to acquaint with the concept, use of forwards, futures, swaps, options, and related financial derivatives for hedging, arbitrage, and speculation in the global environment. The course focuses on understanding how firms manage interest rate risk, exchange rate risk, and commodity price risk using these derivatives.

Teaching and Examination Scheme:

Teaching Scheme			Credits	Examination Marks					Total Marks
CI	T	P		C	Theory Marks		Practical Marks		
			ESE		MSE	V	P	ALA	
04	00	00	04	60	30	10	00	50	150

Legends: CI-Classroom Instructions; T – Tutorial; P - Practical; C – Credit; ESE – End Semester Examination; MSE- Mid Semester Examination; V – Viva; CA - Continuous Assessment; ALA-Active Learning Activities.



Course Content:

Sr. No	Course content	Hrs.	% Weightage
1	Introduction to risk management: · Defining and managing risk · Upside and downside risks · Commodity price risk · Interest rate risk · Approaches to risk management, nature of derivatives trading, setting of Risk-vision, reasons for managing derivatives risk and types of risk in derivative trading. Futures and options trading system. Basis of trading, market participants hedger, speculators, and arbitrage)	20	25
2	Introduction; Background and Terminology; Derivatives Mishaps; Risk Management Policies; Mechanics of Futures Markets. Hedging Strategies.	10	25
3	Interest Rates. Valuation of Forwards and Futures; Interest Rate Futures; Interest Rate SWAPs.	10	25
4	Mechanics of Options; Trading Strategies with Options; Properties of Stock Options; Option Valuation- Binomial Model; Option Valuation- Black/Scholes. Option Sensitivities & Delta Hedging Value at Risk. Exotic Derivatives. Real Options.	20	25

Continuous Assessment:

Sr. No	Active Learning Activities	Marks
1	Investment Proposal Student will prepare an investment Proposal of the amount mentioned by the faculty for hypothetical company. Upload the PDF on GMIU Web Portal.	10
2	SWOT Analysis Student will prepare product line SWOT analysis of company given by faculty. Upload PDF on GMIU Web portal.	10
3	Analysis of Risk Management Student will analyze the risk management of bank given by the faculty. Upload the PDF on GMIU Web Portal.	10



4	Financial Statements Analysis Student will analyze the statement of Profit & Loss given by the faculty. Upload the PDF on GMIU Web Portal	10
5	Case Study: Faculty will provide a topic and Idea related to case study. Students will prepare the solutions on the given case / situation and upload it to GMIU web portal.	10
Total		50

Suggested Specification table with Marks (Theory):60

Distribution of Theory Marks (Revised Bloom’s Taxonomy)						
Level	Remembrance (R)	Understanding (U)	Application (A)	Analyze (N)	Evaluate (E)	Create (C)
Weightage	35%	35%	10%	10%	10%	-

Note: This specification table shall be treated as a general guideline for students and teachers. The actual distribution of marks in the question paper may vary slightly from above table.

Course Outcome:

After learning the course, the students should be able to:	
CO1	Demonstrate knowledge of the range of financial and financial related risks facing organizations.
CO2	Understand the approach to risk management through risk identification, risk measurement and risk management (or mitigation)
CO3	Demonstrate an understanding of pricing forwards, futures and options contracts
CO4	Explain the application of financial derivative instruments for hedging, trading and arbitrage purposes



Instructional Method:

The course delivery method will depend upon the requirement of content and the needs of students. The teacher, in addition to conventional teaching methods by black board, may also use any tools such as demonstration, role play, Quiz, brainstorming, MOOCs etc.

From the content 10% topics are suggested for flipped mode instruction.

Students will use supplementary resources such as online videos, NPTEL/SWAYAM videos, e-courses, Virtual Laboratory

The internal evaluation will be done on the basis of Active Learning Assignment

Practical/Viva examination will be conducted at the end of semester for evaluation of performance of students in the laboratory.

Reference Books:

- [1] John Hull, Fundamentals of Futures and Options Markets, 6th edition, 2008.
- [2] W.D. Purcell and S.R. Koontz. Agricultural Futures and Options: Principles and Strategies, 2nd edition, Prentice Hall, Upper Saddle River, New Jersey.
- [3] C.A. Carter, Futures and Options Markets: An Introduction, Prentice Hall, Upper Saddle River, New Jersey.
- [4] Chicago Board of Trade, Commodity Training Manual, Chicago Board of Trade, Chicago, Illinois.
- [5] J.C. Hull, Fundamentals of Futures and Options Markets, 4 edition, Prentice Hall, New Jersey.
- [6] R.W. Kolb, Understanding Futures Markets, 5 edition, Blackwell Publishers.

