Course Syllabus

Gyanmanjari Institute of Commerce

Semester-7 (B.COM)

Subject: Financial Derivatives – BCOFA17401

Type of course: Major (Core)

Prerequisite: Students should have basic knowledge of finance, like interest rate, profit, and simple calculations. They should understand basic mathematics and how markets (buying and selling) work.Basic idea of stock market will be helpful but not compulsory.

Rationale: This subject helps student understand how financial markets manage risk using derivatives. It builds basic knowledge of futures, forwards, swaps, and hedging in a simple way. It also improves practical skills for real-life financial decision making.

Teaching and Examination Scheme:

Teaching Scheme			Credits	Examination Marks			Total Marks
					CCE		
CI	T	P	C	SEE	MSE	ALA	
4	0	0	4	100	30	70	200

Legends:CI-ClassroomInstructions;T–Tutorial;P-Practical;C–Credit;SEE-SemesterEndEvaluation; MSE- Mid Semester Examination; V – Viva; CCE-Continuous and Comprehensive Evaluation ; ALA-Active Learning Activities.

4 Credits * 25 Marks = 100 Marks (each credit carries 25 Marks)
SEE 100 Marks will be converted into 50 Marks
CCE 100 Marks will be converted into 50 Marks
It is compulsory to pass in each individual component

Course Content:

Sr. No	Course content	Hrs.	% Weightage
1	**Introduction to Derivatives:** Derivatives - History of Derivatives Markets - Uses of Derivatives - Critiques of Derivatives - Need for Derivatives - Evolution of Derivatives in India - Major Recommendations of Dr. L.C. Gupta Committee - Benefits of Derivatives in India - Types of Derivatives - Derivatives Trading at NSE/BSE	15	25
2	**Forward & Futures:** Financial Derivatives - Features, Types - Forward: Pricing and Trading Mechanism - Forward Contract - Features of Forward Contract - Classification of Forward Contracts - Forward Trading Mechanism. Futures: Types of Financial Futures Contract -Evolution of Futures Market in India Traders in Futures Market in India Functions and Growth of Futures Markets -Futures Market Trading Mechanism - Forward Contract Vs. Futures Contracts.	15	25
3	**SWAP:** Concept. Nature. Evolution and Features of Swap Types of Financial Swaps - Interest Rate Swaps-Currency Swap - Commodity and Equity Index Swaps - Debt Equity Swap – Swap Valuation (Basic) – Advantages and Limitations of Swaps – Interest Rate Swap (Comparative Advantage, Gain Sharing, Effective Cost) – Currency Swap (Interest and Exchange Calculation) – Basic Problems on Commodity and Equity Swaps.	15	25
4	**HEDGING:** Concept of Hedging - Hedging Models: Long and Short Hedges - Cross Hedging - Basis and Basis Risk - Basis Risk vs Price Risk - Hedging Effectiveness - Devising a Hedging Strategy - Hedging Objectives - Management of Hedge	15	25

Continuous Assessment:

Sr. No.	Active Learning Activities	Marks
1	**Introduction to Derivatives:** Students will study the basic concept of derivatives and prepare short notes on meaning, need, and uses of derivatives. They will also include examples from real life and submit it on the GMIU web portal.	10
2	**Derivatives Market in India:** Students will research the evolution of derivatives in India and write key points about NSE and BSE trading. They will include important facts and developments. The report will be submitted on the GMIU web portal.	10
3	**Small Case Study:** Students will read a small case and suggest a solution using hedging. They will write answers and submit them on the GMIU web portal.	10
4	**Price Observation Activity:** Students will choose one product (gold, petrol, wheat, etc.) and note its price for 5 days. They will observe how prices change daily. Students will write a small conclusion about price fluctuation and submit it on the GMIU web portal.	10
5	**Market Observation (News Based):** Students will watch business news or read financial news and find one example of price change (gold, stock, oil, etc.). They will explain the reason in simple words and submit it on the GMIU web portal.	10
6	**Futures vs Forward Comparison** Students will prepare a simple table comparing forward and futures contracts (5 points only). They will submit the table on the GMIU web portal.	10
7	**Attendance**	10
Total		70

Suggested Specification table with Marks (Theory): 100

Distribution of Theory Marks (Revised Bloom's Taxonomy)						
Level	Remembrance (R)	Understanding (U)	Application (A)	Analyze (N)	Evaluate (E)	Create (C)
Weightage	15%	25%	25%	15%	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 the above table.

Course Outcome:

After learning the course, the students should be able to:	
CO1	Understand basic concepts, types, uses, and growth of derivatives in India and their trading in NSE/BSE.
CO2	Explain forward and futures contracts and solve simple problems related to pricing and trading.
CO3	Understand different types of swaps and solve basic calculations of interest rate and currency swaps.
CO4	Apply hedging techniques to reduce risk and design simple hedging strategies.

Instructional Method:

The course delivery method will depend on the topic and the needs of students. The teacher will use blackboard teaching along with simple methods like examples, demonstrations, quiz, group discussion, brainstorming, and online learning tools.

From the syllabus, about 10% of the topics will be taught using flipped learning. Students will learn from online videos, NPTEL/SWAYAM, and other e-courses before coming to class.

Internal evaluation will be based on Active Learning Assignment (ALA), class participation, and simple activities.

At the end of the semester, a practical/viva exam will be taken to check the student's understanding and performance.

Reference Books:

[1] Bishnupriya Mishra. (2007). Financial derivatives. Excel Books.

[2] Cuthbertson, K., Nitzsche, D., & Niall Michael O'sullivan. (2019). Derivatives : theory and practice. Wiley.

[3] Pirie, W. L. (2017). Derivatives. Hoboken, New Jersey Wiley.

[4] S S S Kumar. (2007). Financial derivatives. Phi Learning Private Limited.

[5] Somanathan, T. V., V. Anantha Nageswaran, & Gupta, H. (2017). Derivatives. Cambridge University Press.