

**Finance Department**  
**Course Syllabus**  
**Financial Derivatives, FIN 361, Section 41680**  
**1st Semester 2017-2018**

**Instructor:** Noha Daghestani  
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Lecture /Day	Time	Office Hours/Day	Time
Sunday	8:00 AM - 9:00 AM	Sunday	09:00 AM - 12:00 AM
Tuesday	8:00 AM - 9:00 AM	Tuesday	
Thursday	8:00 AM - 9:00 AM	Thursday	09:00 AM -10:00 PM 11:00AM-12:00PM
		Monday	09:00 AM -10:00 PM 11:00AM-12:00PM

### Course objective

The course emphasizes the important role of financial derivatives as one of the main tools in managing different types of risk. Topics include the theoretical framework for valuing different derivatives with emphasis on options and futures contracts, the markets for financial derivatives, and the speculative and hedging applications of derivatives.

At the end of this course students should be able to:

- describe the structure of speculative markets.
- analyze and solve problems
- assess and estimate the value of derivatives through different approaches.
- effectively communicate and develop their team skills

### Chapters to be covered in this course

Introduction	Topics to be covered
Chapter1	Type of financial instruments (chap1)*
Chapter 2	Structure of option markets (chap7) )*
Chapter 3	Principal of option pricing (chap8) )*
Chapter 4	Option pricing model: the binomial model (chap10) )*
Chapter 5	Option pricing model: the Black & Scholes model (chap12) )*
Chapter 6	Basic option strategies (chap9) )*
Chapter 7	Structure of forward and Futures Market (chap2) )*
Chapter 8	Principals of pricing Forwards & Futures (chap3) )*
Chapter 9	Forward & futures hedging strategies (chap4) )*
Chapter 10	Swaps (chap6) )*

\* the corresponding number in the text book

### Teaching Methodology

Lecture and problem solving

## Required Readings

1- Hull, John C., Options, Futures, and Other Derivatives. **(Main Reference)**

8th Edition, 2012: Chapters: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11 & 16

2- CFA Institute, CFA program curriculum, *Derivatives and Alternative Investment*, Level I, 2013.

Readings: 60, 61, 62, 63, 64 & 65. pp. 1-165.

## Other References (Optional)

1- Bodie, Zvi, Alex Kane, and Alan J. Markus, *Investments*, Eighth Edition, McGraw - Hill, 2009. Chapter 20, 21, 22 & 23.

Chapters: 20, 21, 22, & 23; PP. 671-822.

2- MC Donald, Robert L., *Derivatives Markets*, Third Edition, Pearson Addison Wesley, 2012.

3- Selected peer-reviewed articles:

- Schnusenberg, Oliver and Wm R. McDaniel, 2000, How to value indexed executive stock options, *Journal of Financial and Strategic Decisions* 13 (3), 45-48
- Jarrow, Robert A., 2010, Convenience yields, *Review of Derivative Research* 13, 25-43.
- Li, Minqiang, 2010, Analytical approximations for the critical stock prices of American options: a performance comparison, *Review of Derivative research* 13, 75-99.
- Joshi, Mark S., 2010, Achieving higher order convergence for the prices of European options in binomial trees, *Mathematical Finance* 20 (1), 89-103
- Finlay, Richard, and Eugene Seneta, 2008, Option pricing with VG-like models, *International Journal of Theoretical and Applied Finance*, 11(8), 943-955.
- Campbell, Johnny, Karine Serfaty-Demedeiros, and Luis M. Viceira, 2010, Global currency, *The Journal of Finance* LXV (1), 87-121.
- Czaja, Marc-Gregor, Hendrik Scholz, and Marco Wilkens, 2010, Interest rate risk rewards in stock returns of financial corporations: Evidence from Germany, *European Financial Management* 16(1), 124-154.
- Fabozzi, Frank J., Sergio M. Focardi, and Caroline Jonas, 2010, Investment Management after the Global Financial Crisis, The Research Foundation of CFA Institute.
- Abad, David, and Roberto Pascual, 2010, Switching to a temporary call auction in times of high uncertainty, *The Journal of Financial Research* XXXIII (1), 45-75.
- Hameed, Allaudeen, Wenjin Kang, and S. Viswanathan, 2010, Stock market declines and liquidity, *The Journal of Finance* LXV (1), 257-293.
- Fabozzi, Frank J., Robert J. Shiller, and Radu S. Tunaru, 2010, Property Derivatives for Managing European Real-Estate Risk, *European Financial Management* 16(1), 8-26

### Student Assessment & Grading schedule

Assessment task	Proportion of final Assessment (%)	Agenda
Participation & Assignments	5	
Quiz 1+quiz 2	10	
First Mid	25	Week 6 ,Oct 26
Second Mid	20	week 11 , Nov 30
Final Exam	40	
Total	100	

**Attendance:** It is compulsory to attend at least 75% of all classes. Any student failing to attend 75% of the classes will not be able to sit on the final exam. The instructor reserves the right not to accept the availability of the student who is late.

**Make-Up Tests:** There will be no Make-up exams unless there is a case of emergency leave or when prior excuse has been granted. If a student misses the midterm exam without excuse, she will receive zero for the midterm.

**Submission deadlines:** Late submission/ failing to make seminar presentations on time means getting zero for the report

**Mobile and Calculators:** Calculators are allowed during lectures and tests. However, devices with word processing capabilities (laptop, computers, palmtops, etc.) are not allowed during tests. Handing over the calculators is strictly prohibited. No cell phone is allowed for calculation.