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[refer to the ANU Campus Map \(map GH32, reference G3\)](#)

Course Outline

FINM7041 Applied Derivatives

Semester 1, 2012

STUDENTS: Course details change from semester to semester. Please check that you are reading the Course Outline for the correct semester.

Course Description

This unit is designed to further students' understanding of futures and options contracts and their use in managing risk. It provides an overview of options, futures, forwards and swaps on a range of underlying assets/commodities including stocks, interest rates, foreign exchange as well as more exotic instruments such as weather and electricity derivatives. The models used for pricing these instruments will be covered as well as techniques used for risk management.

Graduate Studies Select Classification

Specialist and Transitional

Contacts

Role	Office address	Email	Telephone	Consultation Times
Course Convenor and Lecturer (Course Authority) <i>Dr Keith Finlayson</i>	Room 4.27 CBE Building 26C	keith.finlayson@anu.edu.au	6125 0870	To be advised
Tutor/s <i>name/s</i>	To be advised			
School Student Administrators <i>Tracy Skinner</i>	Room 4.48 CBE Building 26C	tracy.skinner@anu.edu.au	6125 0487	Not applicable

Communication

Email is the preferred way for students to contact the lecturer and tutors for this course.

Wattle, the University's online learning environment, will be used to communicate common information to students.

Email

If necessary, the lecturer and tutors for this course will contact students on their official ANU student email address. Information about your enrolment and fees from the Registrar and Student Services' office will also be sent to this email address.

Students must use their university e-mail accounts for correspondence.

Announcements

Students are expected to check the Wattle site for announcements about this course, e.g. changes to timetables or notifications of cancellations. Notifications of emergency cancellations of lectures or tutorials will be posted on the door of the relevant room.

Course URLs

More information about this course may be found on:

- [Study @ ANU](#),
- the [College of Business and Economics website](#), and
- [Wattle](#), the University's online learning environment. Log on to Wattle using your student number and your ISIS password.

Course Information

Learning Outcomes

Upon successful completion of the requirements for this course, students will be able to:

- *Define forwards, futures, swaps and options, explain their applications, and critique their utility*
- *Construct analytical and numerical valuation models*
- *Utilize a range of trading strategies*
- *Consider their actions against ethical and professional standards*
- *Present and discuss analyses and recommendations to a professional audience*

Workload

Students taking this course are expected to commit at least 10 hours a week to completing the work.

This will include:

- *lectures : 2 hours per week*
- *tutorials :1 hour per week*
- *private study: 7 or more hours per week*
 - *review course material*
 - *work on tutorial questions and presentations*


Attendance Requirements

Students are expected to attend all tutorials. 5% of marks will be based on your tutor's assessments of:

- Timely attendance
- Adequate preparation
- Presentation of solutions to tutorial problems
- Participation in discussion

Tutorial Registration

Enrolment in tutorials will be completed online using the Electronic Teaching Assistant (ETA). To enrol, follow these instructions:

1. Go to <http://eta.fec.anu.edu.au>.
2. You will see the Student Login page. To log into the system, enter your University ID (your student number) and password (your ISIS password) in the appropriate fields and hit the **Login** button.
3. Read any news items or announcements.
4. Select "Sign Up!" from the left-hand navigation bar.
5. Select your courses from the list. To select multiple courses, hold down the control key. On PCs, this is the **Ctrl** key; on Macs, it is the  key. Hold this key down while selecting courses with the mouse. Once courses are selected, hit the **SUBMIT** button.
6. A confirmation of class enrolments will be displayed. In addition, an email confirmation of class enrolments will be sent to your student account.
7. For security purposes, please ensure that you click the **LOGOUT** link on the confirmation page, or close the browser window when you have finished your selections.
8. If you experience any difficulties, please contact the School Office (see page 1 for contact details).

Study Schedule

Week beginning	Theme / Topic / Module	Activity	Required student preparation	Deadlines
20 Feb 2012	Introduction and Ethics	Lecture	Hull, Ch 1	
27 Feb 2012	Futures and forwards – definition & pricing	Lecture and tutorial	Hull, Ch 2 & 5	
05 Mar 2012	Futures and forwards - hedging	Lecture and tutorial	Hull, Ch 3	
12 Mar 2012	Interest rates	Lecture and tutorial	Hull, Ch 4 & 6	
19 Mar 2012	Swaps	Lecture and tutorial	Hull, Ch 7	
26 Mar 2012	Options – definition; mid-sem. exam review	Lecture and tutorial	Hull Ch 9 & 10	
02 Apr 2012	Ethics and Standards of Practice	Lecture and tutorials	Hull, Ch 8; CFA code of ethics and standards; CFA Standards of Practice Handbook	Mid-sem. exam (See Wattle for details)
06 April to 22 April: Non-teaching break (no lectures or tutorials)				
23 Apr 2012	Options – trading strategies	Lecture and tutorial	Hull Ch 11	
30 Apr 2012	Options – Black-Sholes-Merton pricing	Lecture and tutorial	Hull Ch 13 & 17	
07 May 2012	Options – Binomial tree pricing	Lecture and tutorial	Hull Ch 12	
14 May 2012	Options – Stock indices and currencies	Lecture and tutorial	Hull Ch 15	
21 May 2012	Options - Futures	Lecture and tutorial	Hull Ch 16	
28 May 2012	Review lecture	Lecture and tutorial	All material as above	
07 June – 23 June: Final exam will be scheduled in this period				

Assessment

Proposed Assessment Schedule

Details about assessment may change during the first two weeks of semester. Please ensure that you check with your lecturer or tutor about any changes. Changes to the assessment schedule will be posted to the Wattle site.

Assessment item	Description and detail of assignment	Specific requirements	Due Date	Weighting (%)
Participation in tutorials and presentation of solution to tutorial problem sets	Students are expected to prepare for and participate in tutorials, and present their solutions to set problems	<ul style="list-style-type: none">- Attend all tutorials, on time- Prepare written response to all tutorial problems- Express yourself clearly- Be a good citizen in the classroom	Every tutorial throughout the semester	5%
Tutorial quizzes	3 quizzes will be held at randomly selected tutorials during the semester. They will take 15 minutes at the beginning of the tutorial.	<ul style="list-style-type: none">- Attend all tutorials, and be prepared for a random quiz	The quizzes may be held at any of the tutorials during the semester.	10%
Mid-semester exam	Exam will be on all material covered up to exam date.	To be announced	To be announced	35%
Final Exam	Exam will be on all material presented in the course.	Written exam	To be announced	50%

Learning Outcomes-Assessment

How well have you achieved the learning outcomes for this course? Your lecturer makes this judgement based on your assignments and examination papers. This table illustrates how each assessment item provides evidence about your achievements against each learning outcome.

Course Learning Outcomes Upon successful completion of the requirements for this course, students will be able to:	Tutorial participation and presentations	Tutorial quizzes	Mid-semester exam	Final exam
Define forwards, futures, swaps and options, explain their applications, and critique their utility	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Construct analytical and numerical valuation models	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Utilize a range of trading strategies	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Consider their actions against ethical and professional standards	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Present and discuss their work in a group context	<input checked="" type="checkbox"/>			

Assessment Details

Tutorial participation and presentations

Due date	Every tutorial throughout the semester
Value (%)	5%
Suggested length	Keep your presentations of solutions to the class to a maximum of 5 mins for each question (depending on the question)
Instructions	<ul style="list-style-type: none">- Attend all tutorials, and turn up on time- Strive to solve the questions set for the tutorials- Structure your arguments and express yourself clearly- Be a good citizen in the classroom.- Ask questions- Listen carefully to others and provide constructive feedback
Purpose	Keep students up to date, allow for deeper understanding, feedback for instructor
Marking criteria	Attendance record and tutor's assessment
Submission details	NA

Tutorial Quizzes (3 in total)

Due date	Every week
Value (%)	10%
Suggested length	The quizzes will be 10-15 minutes in duration.
Instructions	<ul style="list-style-type: none">- Students are required to prepare worked solutions to tutorial questions, bring these solutions to tutorials, and be prepared to participate in tutorial discussions.- Students will be required to sit 3 in-tutorial quizzes throughout the semester.- Students are required to take the quiz in the tutorial they are enrolled in; otherwise the quiz will NOT count.- These quizzes will be 10-15 minutes in duration and will be run with NO advance notice at the beginning of each class.- The content for the quizzes will be limited to the required material for the tutorial in which it is held (based on the lecture of week before).- Do not talk about tutorial solutions or quizzes (questions and solutions) to your friends or fellow students after you have been to your tutorial. This is to maintain equity and fairness for all students in subsequent tutorials within that week.- Students' 3 quizzes marks will count for 5% of their overall course grade.
Purpose	Keep students up to date, and provides feedback for instructor and student on their progress for the course.
Marking criteria	Based on Model Solutions prepared by lecturer – will be made available to students after the quiz is held.
Submission details	Tutor will collect the quiz papers at the end of the allowed time.

Mid Semester Exam - Individual

Due date	TBA
Value (%)	35%
Suggested length	1.5 hours – closed book exam
Instructions	TBA on the Wattle site for exam specifics.
Purpose	Students to demonstrate their mastery of the course material through application to theoretical and numerical problems
Marking criteria	Accuracy, depth of analysis and understanding, and quality of writing.
Submission details	NA

Final Examination - Individual

Due date	TBA
Value (%)	50%
Suggested length	3 hours – closed book exam
Instructions	TBA on the Wattle site for exam specifics.
Purpose	Students to show how much they understood the course and its application on theoretical and numerical problems
Marking criteria	Accuracy, depth of analysis and understanding, and quality of writing.
Submission details	NA

Return of exams

Your marked tutorial quizzes will be returned to you, and the solutions to the questions discussed in subsequent tutorials. You will be able to view your marked mid-semester exam script before the final examination, and your final exam script will be available for viewing at the School office after completion of the course.

Scaling

Your final mark for the course will be based on the **raw** marks allocated for each assignment or examination. However, your final mark may not be the same number as produced by that formula, as marks may be **scaled**. Any scaling applied will preserve the rank order of raw marks (i.e. if your raw mark exceeds that of another student, then your scaled mark will exceed the scaled mark of that student), and may be either up or down.

Extensions

All deadlines stipulated at the start of semester are firm. If you cannot complete a particular piece of assessment by the due date, you must make alternative arrangements with the lecturer in charge **prior** to the due date.

Penalties

Students that do not attend their assigned tutorial will be marked as not attending that week's tutorial, and will be allocated zero marks if a random quiz is conducted.

Examinations

In addition to 3 in tutorial quizzes, there will be one mid-semester and one final exam. See the Wattle for the course for further details and updates as the semester progresses.

Texts and Other Reading

Prescribed Texts

Hull, J., Fundamentals of Futures and Options Markets, 7th Edition (Global Edition), (C) Pearson Education Limited, 2011. (Required text, some copies are available under closed reserve at the ANU Chifley Library).

CFA Materials (available at <http://www.cfapubs.org/loi/ccb> - see Wattle side for further information).

- CFA Code of Ethics and Standards of Professional Conduct
- CFA Standards of Practice Handbook.

Technology, Software, Equipment

Students are expected to have access to Microsoft Office, either through the ANU computer networks, or through a personal computer.

Recommended Reading

See Wattle site for the course

Course-related Matters

Requisites

Completion of FINM7006 is required. All students must have a basic understanding of statistics. Familiarity with EXCEL spreadsheets, data analysis packages (eg., Eviews or S-Plus or R or Minitab equivalent) and the ability to share electronic documents is required. Also, students are expected to have knowledge of different databases for data collection and data analysis software packages for data analysis.

Co-teaching

Depending on availability some guest lecturers may present.

General Information for all Students

CBE Student Office

<http://www.cbe.anu.edu.au/>

The CBE Student Office provides assistance with program and course selection, enrolment, change of program, variation to enrolment, status and other general matters. It is located on Level 2 of CBE Building 26c, contact details:

- T: (61) 02 6125 3807
- E: info.cbe@anu.edu.au

Main Administrative Dates 2012

http://www.anu.edu.au/sas/SEAP_guide/

The main administrative dates regarding teaching sessions, course census dates, examination period, graduation and enrolment variations (i.e. add and drop courses) are available from the ANU SEAP Guide 2012.

Associate Dean (Education)

Dr Royston Gustavson is the Associate Dean (Education) in the ANU College of Business & Economics.

ANU Student Support

Academic Skills and Learning Centre

<http://www.anu.edu.au/academicskills/>

The Academic Skills and Learning Centre, in the Pauline Griffin Building, offers services to students regarding a range of academic issues including essay writing, note-taking, referencing, reading, examination preparation, and plagiarism.

ANU College

<http://www.anucollege.com.au/>

ANU College offers the following introductory and extended programs:

- maths bridging courses; and
- English language support for students from non-English-speaking backgrounds.

Information Literacy Program

<http://ilp.anu.edu.au/index.html>

Workshops are available to undergraduate and graduate students to develop skills in handling information and communication technologies.

Policies, Procedures and Rules

ANU SEAP Guide 2012

http://www.anu.edu.au/sas/SEAP_guide/

The Student Enrolment and Administrative Procedures Guide (SEAP) supplements the ANU Undergraduate Handbook information available on Study@ANU (<http://info.anu.edu.au/studyat/>), the ANU Rules (<http://www.anu.edu.au/cabs/rules/>), and the Graduate Research website (<http://www.anu.edu.au/graduate/>).

Information for Enrolled Students

http://cbe.anu.edu.au/Current_Students/general_info/

Students are expected to be familiar with the ANU College of Business & Economics and university-wide policies and procedures on the following:

- Code of Practice for Student Academic Honesty
- Assessment Arrangements for Students from Language Backgrounds Other Than English
- Academic Progress Rules and Procedures
- Special examinations/consideration
- Supplementary examinations
- Review of assessment procedures

Special Examinations

http://cbe.anu.edu.au/Current_Students/general_info/specexam.asp

You must contact the College Office for guidance on the procedure for special examinations for final examination. Do not approach your lecturer for this information.

Students who are unable to attend an examination for reasons outlined in the policies above, may **apply** to sit a special examination by lodging an application with the College Student Administration Office no later than 72 hours after the scheduled examination. It is important to emphasise that **travel arrangements and minor illnesses are not normally acceptable grounds for special examinations** (Section 2, College 'Special Examination Policy').

Section 7.7 of the 'Student Enrolment and Procedures Guide 2009' states:

Students must make themselves available for the duration of the examination period in order to attend any special examination that may be required.

If you know in advance of circumstances whereby you will be unable to sit the examination, you should lodge an application for a special examination as soon as possible.

The dates on which Special Examinations will be held will be published on the School website when the final timetable is published.

Applications for special examinations must be correctly completed with all original supporting documentation attached. Where an application is made on the grounds of sickness, Section B of the application **must be completed by a medical practitioner** and a detailed medical certificate stating the effect on your capacity to sit the examination is required.

The medical certificate must carry the stamp from the medical practice, and will not always be sufficient evidence.

Special examinations are **not** automatically granted. If approved, successful candidates are required to contact the relevant School Office to obtain details of the special exam. If you do not sit the examination, or your application for a special examination is declined, then you will fail the course as incomplete.

It is not grounds for a further special examination if students are not contactable and miss the scheduled examination date.

Special Consideration

If illness or other disruptive events have affected your preparation for, or performance during, an examination, you can bring this to the attention of the examiners by making a request for special consideration using the Application for Special Consideration form.

Requests for special consideration must be lodged with the relevant **School Office** before the scheduled date of the examination. However, if it relates to a problem that arose during the examination, it should be submitted immediately after the examination (see the invigilator).

Requests for special consideration must be accompanied by documentation of the illness and/or a letter setting out the reasons for the difficulties in studying for or sitting an examination. The examiners will take this into account in awarding the final grade.

Special Arrangements

If you have a disability or disorder (permanent or temporary) which makes undertaking a formal sit-down examination difficult, then **you are responsible for requesting special arrangements to be made for your examination**. In the past these arrangements have included the use of special equipment, additional time, writing breaks, a scribe (someone to write for you), etc.

Please contact the Examinations and Graduations Office early in the semester and **at least 10 days prior to the examination period**.

Failure to make appropriate arrangements for an examination may result in a subsequent application for a special examination/special consideration being declined.

Disabilities

If you have any queries about special arrangements with respect to disabilities, please refer to the Disabilities Officer. The ANU Disability Services Centre's website is at <http://www.anu.edu.au/disabilities/>.

Supplementary Examinations

<http://www.anu.edu.au/cabs/rules/ExamsRules.pdf>

In accordance with the University Examinations Rules 2009 (No. 3), you may be provided with a supplementary examination.

If you have qualified for a supplementary examination, your grade will be recorded as a PX on your Notification of Results. **You must notify the School Office, in writing (email is satisfactory), within 7 days of the official publication date of examination results to indicate your acceptance or otherwise to sit the supplementary examination.**

If you pass the supplementary examination you will receive the grade of PS (pass at supplementary examination) and a mark of 50. If you are unsuccessful, or you decide not to sit the supplementary examination, your grade will be recorded as N (fail) and your original mark will stand.

Supplementary examinations will be held early in the next semester on dates to be advised. For information regarding the timing and venues for supplementary examinations please refer to the school websites in week 2 of the current semester:

ABIS: <http://www.cbe.anu.edu.au/schools/abis/>

ECONOMICS: <http://www.cbe.anu.edu.au/schools/eco/>

FAS: <http://www.cbe.anu.edu.au/schools/fas/>

MMIB: <http://www.cbe.anu.edu.au/schools/mmib/>

Travel plans should be made accordingly as travel plans are not an acceptable reason to miss a supplementary examination.

Results and Examinations

In accordance with the University Assessment Grades/Codes, CBE applies the following scale when awarding grades:

Final Pass Grades	
HD – High Distinction	80–100
D – Distinction	70–79
CR – Credit	60–69
P – Pass	50–59
PS – Pass at supplementary examination	50
Final Fail Grades	
N – Fail	00–49
NCN – Not Completed/Fail	
WN – Withdrawn with failure	
Interim Codes (used when a result for a course has not yet been finalised)	
DA – Deferred assessment	
PX – Offered supplementary assessment	
RP – Result pending	
WA – Withheld for administrative reasons	

Results Notification

To access results students should check their ISIS accounts on the advertised date for release of examination results. After publication, students enquiring about results must provide an ANU student card as proof of identification to the Examinations, Graduations, Prizes and Timetabling Office (Building 12). For privacy reasons students should not make enquiries regarding the results of other students.

Examination Timetable – Final Examination Period

<http://timetable.anu.edu.au/>

Details of the final examination timetable are available on the ANU Timetabling website. The onus is upon students to acquire their own scheduling details.

Examination Timetable – Mid-Semester Examinations

When a mid-semester exam is scheduled, timetable information will be posted by the relevant School.

Misconduct

<http://www.anu.edu.au/cabs/rules/DisciplineRules.pdf>

In relation to an examination, misconduct on the part of a student includes:

- cheating;
- plagiarism (including the reproducing in, or submitting for assessment for, any examination, by way of copying, paraphrasing or summarising, without acknowledgement and with the intention to deceive, any work of another person as the student's own work, with or without the knowledge or consent of that other person);
- submitting for an examination any work previously submitted for examination (except with the approval of the prescribed authority);
- failing to comply with the University's instructions to students at, or in relation to, an examination;
- acting, or assisting another person to act dishonestly, in or in connection with an examination; and/or
- taking a prohibited document into an examination venue.

The administrative procedures regarding misconduct are incorporated in the ANU Discipline Rules.

Plagiarism

<http://academichonesty.anu.edu.au/>

The College regards plagiarism as any appropriation of the ideas or expressions of another without relevant and appropriate acknowledgment. This includes un-attributed appropriation of text or content and may extend to improper referencing. Plagiarism will not be tolerated in any course and all discovered instances would be pursued to the full extent allowable under the rules.

Where students have doubts as to how to deal with or acknowledge source materials in course assignments they should consult the lecturer or tutor.

The penalties and administrative procedures regarding plagiarism are incorporated in the ANU Policy on Academic Honesty.

On-line material discussing plagiarism and referencing styles is available from the Academic Skills and Learning Centre Web page (<http://www.anu.edu.au/academicskills/>).