

St. Joseph College of Commerce
Post-Graduation Department
Bangalore

Lesson plan

Class: II Sem M Com (Finance)

Subject Code: P516 MC 202

Subject Name: FOREX & DERIVATIVES

Lecture Hours: 60

Objective:

- (1) To provide students with an analytical and conceptual framework in forex management
- (2) To familiarize students with the various management techniques used in Derivatives management and its application

BOOKS FOR REFERENCE:

1. N.D. Vohra & B.R.Bagrii, futures and options, 2nd edition,1998,Tata McGraw-Hill publishing company Ltd
2. Apte P. International Financial Management, Tata McGraw Hill, New Delhi
3. Shapiro Alan C, Multinational Financial Management, Prentice Hall, new Delhi
4. Jeevanandham,Foreign Exchange Management-Practice, Concepts & Control, Sultan Chand & Sons
5. Equity Derivatives: A Beginner's Module, Workbook from NSE
6. Currency Derivatives: A Beginner's Module, Workbook from NSE

Sl. No	UNIT & OBJECTIVES	No. of Lecture Hours	Methodology/pedagogy	Evaluation
Module 1	Overview			
1	Nature of foreign Exchange, Sources of DD and SS of Foreign Exchange	2	PPT's lecture method	Discussion Practical MCQ
2	Balance of payments framework, Equilibrium and disequilibrium in BOP	2	Lecture and Illustration Exercises & Case study	Discussion Class room Interaction
3	Determination of rate of exchange, exchange rate theories	2	Lecture and Illustration Exercises	Discussion Class room Interaction
4	Competitive mint par theory, monetary theory and portfolio balance approach, hybrid exchange rate	2	Lecture with Examples Case study	Discussion Class room participation Assignment : To choose a company and discuss

				the Porter model/ BCG Model
5	International Monetary system	2	PPT's Lecture	Discussion & Practical
Module 2:	Introduction to foreign exchange market			
6	Nature and functions of foreign exchange market Participants of foreign exchange market	2	PPT's Lecture	Class room participation
7	Spot and forward markets, Forward premium, discount	2	PPT's Lecture, Exercises, Case study	Discussion & Practical
8	Methods of quoting exchange rates, cross rates of exchange	2	PPT's Lecture, Exercises	Discussion & Practical
9	Bid-ask spreads, relation between exchange rate interest rate and inflation rate	2	PPT's Lecture	Discussion & Practical
10	IRP theory, covered interest arbitrage theory, expectation theory,	2	Lecture and Illustration, Exercises, Case study	Discussion Class room participation
11	International Fischer Effect theory	2	Lecture and Illustration, Exercises, Case study	Discussion & Practical
Module 3:	Futures and Options			
11	Stock futures-Index futures stock options-Index options-trading futures	2	PPT's Lecture Exercises	Discussion & Practical
12	Pay-off of futures, theory and models with graph	2	PPT's Lecture and Illustration	Discussion & Practical
13	Trading options-options payouts, options strategies	2	PPT's Lecture and Illustration	Discussion & Practical
14	Determination of option prices factors affecting option prices	2	PPT's Lecture and Illustration	Discussion & Practical
15	Derivatives trading on NSE-using daily newspaper to track F& O	2	PPT's Lecture	Discussion Practicals
16	Accounting and taxation aspect of	2	PPT's	Discussion & Practical

	derivatives		Lecture	
17	Equity derivatives-basic, put options, call options	2	Lecture and Illustration, Exercises, Case study	Discussion Class room participation
18	Applications of derivatives, currency forward currency futures, currency options and currency swaps	2	Lecture and Illustration, Exercises, Case study	Discussion Class room participation
19	Foreign exchange risk and exposure, techniques of exposure management	2	Lecture and Illustration, Exercises, Case study	Discussion Class room participation
Module 4:	Interest rate Derivatives			
20	Forward rate Agreement-Interest rate guarantee-interest rate caps	2	PPT's Lecture	Discussion & Practical
21	Interest rate collar-interest rate ceiling-	2	PPT's Lecture and Illustration	Discussion & Practical
22	interest rate futures-interest rate options-	2	PPT's Lecture and Illustration	Discussion & Practical
23	Interest rate swaps	2	PPT's Lecture and Illustration	Discussion & Practical
Module 5	Credit derivatives			
24	Credit derivatives meaning and nature, relevance	1	PPT's Lecture and Illustration	Discussion & Practical
25	Types of credit derivatives, credit default swaps-total return swaps	2	PPT's Lecture and Illustration	Discussion & Practical Assignment:
26	Credit link Notes(CLN) Some modern credit derivatives	1	PPT's Lecture and Illustration	Discussion & Practical Assignment:
27	Stripped Mortgage Backed Securities-Interest only securities-Principal only securities	1	PPT's Lecture and Illustration	Discussion & Practical
28	Structured notes-Swaps-warrants	1	PPT's Lecture and Illustration	Discussion & Practical
29	Leap- Swaptions	2	PPT's Lecture and Illustration	Discussion & Practical
Module 6	Trading, clearing, settlement in currency futures			
30	NSE membership-categories	1	PPT's Lecture and Illustration	Discussion & Practical
31	Categories, eligibility and criteria	1	PPT's	Discussion & Practical

			Lecture and Illustration	
32	Future contract specifications, trading system, placing orders	1	PPT's Lecture and Illustration	Discussion & Practical
33	Client broker relationship, clearing, settlement through margins of different kinds, clearing entities and settlement mechanism	1	PPT's Lecture and Illustration	Discussion & Practical