

UNIVERSITY OF WATERLOO
Department of Economics
Econ 372 – Business Finance II
Lec001, Spring 2011

Course Objective

- Understand, comprehend and apply the economics of futures and options markets rigorously and critically.
- Acquire an edge in academics and industry that deals with or is tangential to futures and options markets.
- Setting strong grounds for graduate level studies in futures and options markets.

Required Textbook

Fundamentals of Futures and Options Markets, Seventh Edition by John C. Hull.
Publisher: Pearson Prentice Hall. (Sixth Edition will also do)

Course Topics

Month	Topics (in sequence of studies)	Learning Instructions
May	Ch1: Introduction Ch 4: Interest Rates Ch 2: Mechanics of Futures Markets	<ul style="list-style-type: none"> • LEARN to become confident and proficient on lecture topics; practise using pen and paper. • LEARN to become confident and proficient on the assigned problems; practise using pen and paper (solutions will be provided).
June	Ch9: Mechanics of Options Markets Ch3: Hedging Strategies Using Futures Ch 5: Determination of Forward and Future Prices	<ul style="list-style-type: none"> • LEARN to become confident and proficient on lecture topics; practise using pen and paper. • LEARN to become confident and proficient on the assigned problems; practise using pen and paper (solutions will be provided).
July	Ch 10: Properties of Stock Options Ch 11: Trading Strategies Involving Options Ch 12: Introduction to Binomial Trees <ul style="list-style-type: none"> • Exclude section 12.8 and 12.9 in 7th edition Ch 25: Derivative Mishaps and What We Can Learn from Them (Time Permitting)	<ul style="list-style-type: none"> • LEARN to become confident and proficient on lecture topics; practise using pen and paper. • LEARN to become confident and proficient on the assigned problems; practise using pen and paper (solutions will be provided).

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Evaluation

The course evaluation is based on three components: 1) Test and exam 2) Attendance and 3) Bonus marks. These are described below.

1) Tests and Exams

If the percentage mark of the final exam is higher for a student than that of the midterm, then the final exam will count as 100% of total grade for him/her. In other words, writing the midterm entails no downside-risk for a student.

If you miss the midterm test, your final exam will automatically count as 100% via above rule.

Regarding deferred final exam, please see the Economics department's policy posted on the department of economics website. I will strictly abide by this policy regarding the deferred final exam.

In-Class Midterm:

1 hour; Tuesday, June 21, 2010, from 7.30 pm-8.30 pm ----- 30%

Final exam:

2 hour 30 minutes; Scheduled by the Registrar's Office -----70%

Both the midterm and the final exam will consist of multiple choice questions.

2) Lecture Attendance

Attendance will be taken starting from the third week of classes. From that point onward, one mark will be deducted (from the total mark of 100) for each additional missed lectures once **three** lectures have been missed.

- No penalty for the first three missed lectures starting the third week of classes.
- No attendance will be taken during the first two weeks of classes.

3) Bonus Marks

I will be giving 2 bonus marks based on either of the following two categories. A student can claim bonus marks based on only one of the two mentioned categories. The bonus mark will be applied to your overall grade of 100. Say, if a student gets 98 and 2 bonus

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marks, then his overall grade will be 100. Another example, a student got 99 and two bonus marks, then her overall grade again will be 100!

Category 1	Criteria	Marks
Excellent Class Performance	1) I know your name AND 2) You <u>generally</u> ask or answer course related questions during class time without unduly dominating the overall lecture time.	2

OR

Category 2	Criteria	Marks
A short class presentation	<ul style="list-style-type: none"> • A minimum 3 minute to maximum 5 minute talk presented to the class. A student can make a sole presentation or can pair up with another student to make a dual presentation. The allotted time remains the same whether it is a sole or a dual presentation. • Any topic that is at least minimally course related can be presented. No pre-approval from me is required. • In making your presentation, you can just talk, <u>plus</u> use the blackboard, powerpoint, projector or some other mode or nothing: anything that suits you presentation. • A maximum of two presentations can be made in a given lecture night. There will be a signing sheet for students. 	2

I will announce the simple process of claiming the bonus marks in early July. Students performing under category 1 or category 2 must have to claim bonus marks from me based on that announcement in order to get the 2 bonus marks.

Lecturer

Usman Hannan
 Barrister and Solicitor Candidate 2012

Honors BA (High Distinction)-University of Toronto.
 MA in Economics-University of Waterloo.
 JD (Expected June 2011)-Osgoode Hall Law School.

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Consulting Hours and phone/email Policy: TBA

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Cross-listed course:

Please note that a cross-listed course will count in all respective averages no matter under which rubric it has been taken. For example, a PHIL/PSCI cross-list will count in a Philosophy major average, even if the course was taken under the Political Science rubric.

Academic Integrity:

Academic Integrity: In order to maintain a culture of academic integrity, members of the University of Waterloo are expected to promote honesty, trust, fairness, respect and responsibility.

Discipline: A student is expected to know what constitutes academic integrity, to avoid committing academic offences, and to take responsibility for his/her actions. A student who is unsure whether an action constitutes an offence, or who needs help in learning how to avoid offences (e.g., plagiarism, cheating) or about “rules” for group work/collaboration should seek guidance from the course professor, academic advisor, or the Undergraduate Associate Dean. When misconduct has been found to have occurred, disciplinary penalties will be imposed under Policy 71 – Student Discipline. For information on categories of offenses and types of penalties, students should refer to Policy 71 - Student Discipline, <http://www.adm.uwaterloo.ca/infosec/Policies/policy71.htm>

Grievance: A student who believes that a decision affecting some aspect of his/her university life has been unfair or unreasonable may have grounds for initiating a grievance. Read Policy 70 - Student Petitions and Grievances, Section 4, <http://www.adm.uwaterloo.ca/infosec/Policies/policy70.htm>

Appeals: A student may appeal the finding and/or penalty in a decision made under Policy 70 - Student Petitions and Grievances (other than regarding a petition) or Policy 71 - Student Discipline if a ground for an appeal can be established. Read Policy 72 - Student Appeals, <http://www.adm.uwaterloo.ca/infosec/Policies/policy72.htm>

Academic Integrity website (Arts): http://arts.uwaterloo.ca/arts/ugrad/academic_responsibility.html

Academic Integrity Office (University): <http://uwaterloo.ca/academicintegrity/>

Accommodation for Students with Disabilities:

Note for students with disabilities: The Office for Persons with Disabilities (OPD), located in Needles Hall, Room 1132, collaborates with all academic departments to arrange appropriate accommodations for students with disabilities without compromising the academic integrity of the curriculum. If you require academic accommodations to lessen the impact of your disability, please register with the OPD at the beginning of each academic term.