

**Department of Economics
University of Waterloo
ECON 372: Business Finance 2
Spring 2012**

Instructor: Aurangzeb Zeb

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Office Hours: Mondays and Wednesdays, 9:30 am – 11:00 am

Course website: <https://learn.uwaterloo.ca/>

Prerequisites: Econ 371; or for Mathematics students only Econ 101, 102 and ACTSC 371,

Anti-requisites: AFM 371/ACC 372.

Meetings

The lecture hours are Mondays and Wednesdays from 11:30 am to 12:50 pm and will take place in PAS 2083. I will be available in my office before class for the scheduled office hours. If contacting me by e-mail, please, indicate ECON 372 as the subject of the letter. Due to time constraints I will not reply to questions about the course material via e-mail. Please, note that class attendance is essential for the successful completion of the course.

Course Information

Overview

This course covers derivatives such as options, forward contracts, futures contracts, and swaps. By the end of the course you will have a good knowledge of how these contracts work, how they are used, and how they are priced. Derivatives have become an integral part of finance. Whether you end up working for a financial or a non-financial institution you will find the material you learn on this course important.

REQUIRED TEXTBOOK

Fundamentals of Futures and Options Markets,
7th Edition, John C. Hull, Prentice Hall.

Student's Solutions Manual /Study Guide (recommended but not required),
7th Edition, John C. Hull, Prentice Hall (which contains solutions to end-of-chapter questions and problems).

COURSE CONTENT

- 1-Introduction; Chapters 1 and 2
- 2-Hedging Strategies Using Futures, Chapter 3
- 3-Interest Rates, Chapter 4
- 4-Determination of Forward and Futures Prices, Chapter 5
- 5-Interest Rate Futures, Chapter 6
- 6-Swaps, Chapter 7
- 7-Properties of Options, Chapters 9 and 10
- 8-Option Trading Strategies, Chapter 11
- 9-Introduction to Binomial Trees, Chapter 12
- 10-Pricing of Stock Options, Chapter 13
- 11-Options on Stock Indices, Currencies, and Futures, Chapters 15 and 16
- 12-Binomial Trees in Practice, Chapter 17

Evaluation

Grade

The final grade will be determined based on four assignments worth 5% each, one midterm (in class, date will be decided in the first class) test worth 30%, and a final examination worth 50%. In the case of a significantly better performance on the final examination when compared to the midterm, the grade will be re-weighted with more emphasis on the final.

Re-marking

If a student wants a test re-marked he/she must notify the instructor within 5 business days after the marked test has been distributed in class. The test will be re-marked in its entirety and, as a result, the grade can either increase, decrease, or remain unchanged.

Important Notices

- There is no deferred or make-up midterm test. If you miss the test due to illness and have a valid medical documentation, then the weight of the test will be shifted to the final exam. Otherwise, a mark of zero will be given to the missed test.
- To maintain a classroom environment that is conducive to learning, I expect the highest level of courtesy and professional behavior from every student. In particular, be punctual and turn off all audible ringers on phones, pagers, and laptops during class.

University Rules

Academic Integrity

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

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>

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>

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>

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.