

**University of Waterloo**  
**Department of Economics**  
**Econ 372 – Section 001**  
**Business Finance 2**  
**Winter 2016**  
**Tuesday 7:00PM – 9:50PM, B1 271**

**Instructor:** Pirapa Tharmalingam  
**Office:** HH 162  
**Office Hours:** 5:00 PM – 6:30 PM T, Th or by appointment  
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**Course Description:** This course is designed to introduce students to financial derivatives such as options, forward contracts, future contracts and swaps. We will discuss the primary purpose of these products, how they are used to mitigate risk and how they are priced.

**Required text:** John C. Hull Fundamentals of Futures and Options Markets (7<sup>th</sup> or 8<sup>th</sup> edition) Prentice Hall. Supplementary material will be given during the course, if and when necessary.

Student's Solutions Manual /Study Guide is recommended but not required for John C. Hull Fundamentals of Futures and Options Markets (7<sup>th</sup> / 8<sup>th</sup> edition) Prentice Hall.

Assignments and other material will be posted on the course page.

**Course evaluation:** There will be two assignments (20%), one midterm (30%) and a Final exam (50%).

**Notes:**

Mid- term exam date will be announced in class. There will be no make up for a missed exam. If a valid documentation is provided within the appropriate time period for missed mid-term, the weight will be shifted to the final exam. Please see university policy and follow instructions:

([http://www.registrar.uwaterloo.ca/students/accom\\_illness.html](http://www.registrar.uwaterloo.ca/students/accom_illness.html))

Due dates for assignments will be announced in class. Late assignments will not be accepted.

A tentative lecture plan is given below. This is subject to change depending on the class progress.

Students are expected to be available during the final exam period. Travel plans are not an acceptable ground for granting alternative final exam times:

<http://www.registrar.uwaterloo.ca/exams/finalexams.html>

Week	Topic	Chapter
1	Introduction	Chapter 1, 2
2	Hedging Strategies Using Futures	Chapter 3
3	Interest Rates	Chapter 4
4	Determination of Forward and Futures Pri	Chapter 5
5	Interest Rate Futures	Chapter 6
6	Swaps	Chapter 7
7	Mechanics of Options Markets	Chapters 9
8	Properties of Stock Options	Chapter 10
9	Trading Strategies Involving Options	Chapter 11
10	Introduction to Binomial Trees	Chapter 12
11	Valuing Stock Options: B-S-M Model	Chapter 13

### **Economics Department Deferred Final Exam Policy**

Deferred Final Exam Policy found at <https://uwaterloo.ca/economics/current-undergraduates/policies-and-resources/deferred-final-exam-policy>.

#### **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. See the [UWaterloo Academic Integrity Webpage \(https://uwaterloo.ca/academic-integrity/\)](https://uwaterloo.ca/academic-integrity/) and the [Arts Academic Integrity Office Webpage \(http://arts.uwaterloo.ca/current-undergraduates/academic-responsibility\)](http://arts.uwaterloo.ca/current-undergraduates/academic-responsibility) for more information.

**Discipline:** A student is expected to know what constitutes academic integrity, to avoid committing academic offenses, and to take responsibility for his/her actions. A student who is unsure whether an action constitutes an offense, or who needs help in learning how to avoid offenses (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, **including writing exams in a section that you are not registered in**, 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](#). For typical penalties check Guidelines for the Assessment of Penalties found at <http://www.adm.uwaterloo.ca/infosec/guidelines/penaltyguidelines.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](#). In addition, read [the Student Grievance Process](#) for the Faculty of Arts found at <https://uwaterloo.ca/arts/current-undergraduates/student-support/student-grievances-faculty-arts-processes>.

**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](#).

#### **Other sources of information for students**

[Academic integrity \(Arts\) Academic Integrity Office \(uWaterloo\)](#)

#### **Accommodation for Students with Disabilities**

**Note for students with disabilities:** The [AccessAbility Services office](#), located in Needles Hall Room 1401, 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 AS office at the beginning of each academic term.