



Finance (FNCE) 403

Derivatives and Risk Management (Revision 4)

Status:

Replaced with new revision, see the [course listing](#) for the current revision

Delivery mode:

Individualized study online with eText

Credits:

3

Area of study:

Applied Studies (Business and Administrative Studies)

Prerequisites:

[FNCE 370](#) or equivalent. [MATH 260](#) or equivalent is recommended.

Precluded:

None

Challenge:

FNCE 403 has a challenge for credit option.

Faculty:

[Faculty of Business](#)



Overview

FNCE 403 provides an introduction to risk management using derivative instruments, which is an increasingly important area in both modern financial academia and financial industry. The main objectives of *FNCE 403* are

- to introduce the basic concepts and methodologies of risk management using derivative instruments, including options, futures, forwards, and swaps.
- to introduce the characteristics and valuation of various derivative securities.
- to explore the applications of derivatives to manage various risks such as market risk, currency risk, interest rate risk, and credit risk.

Outline

Unit 1: Introduction to Derivatives and Markets

- Lesson 1: Derivative Securities
- Lesson 2: Structure of Derivatives Markets

Unit 2: Options

- Lesson 3: Principles of Option Pricing
- Lesson 4: Option Pricing with Binomial Model
- Lesson 5: Black-Scholes-Merton Option Pricing Model
- Lesson 6: Basic Option Strategies
- Lesson 7: Advanced Option Strategies

Unit 3: Forwards and Futures

- Lesson 8: Principles of Pricing Forwards, Futures, and Options on Futures
- Lesson 9: Futures Arbitrage Strategies
- Lesson 10: Forwards and Futures Hedging



Unit 4: Swaps and Interest Rate Derivatives

- Lesson 11: Interest Rate Swaps
- Lesson 12: Currency and Equity Swaps
- Lesson 13: Interest Rate Forwards and Options

Unit 5: The Big Picture in Risk Management

- Lesson 14: Financial Risk Management Techniques and Applications
- Lesson 15: General Concepts and Principles in Risk Management

Evaluation

To **receive credit** [↗](#) for *FNCE 403*, you must pass the final examination and achieve a course composite grade of at least a **D (50 percent)** [📄](#). The passing grade for the examination, under Athabasca University's alpha grading system, is a D (50 percent). Your final mark will be determined by your marks on four assignments and a final examination. The chart below provides the credit weight associated with each of these requirements.

Activity	Weight
Assignment 1	15%
Assignment 2	15%
Assignment 3	15%
Assignment 4	10%
Final Exam	45%
Total	100%

To learn more about assignments and examinations, please refer to Athabasca University's **online Calendar** [↗](#).



In response to COVID-19 containment directives, temporary online exam(s) are available for this course.

Materials

Chance, D. M., and Brooks, R. (2016). *An introduction to derivatives and risk management*, (10th ed.). Boston, MA: Cengage Learning.

9781305104969.  (eText)

eText

Registration in this course includes an electronic textbook. For more information on **electronic textbooks** [↗](#), please refer to our **eText Initiative site** [↗](#).

Other Resources

All other learning resources will be available online.

Challenge for credit

Overview

The challenge for credit process allows you to demonstrate that you have acquired a command of the general subject matter, knowledge, intellectual and/or other skills that would normally be found in a university-level course.

Full information about **challenge for credit** [↗](#) can be found in the Undergraduate Calendar.

Evaluation





To **receive credit** [↗](#) for the FNCE 403 challenge registration, you must achieve a grade of at least **D (50 percent)**  on the examination.

- Paper Exam (3 hours)

 **Challenge for credit course registration form**



Important links

- › [Academic advising](#) 
- › [Program planning](#) 
- › [Request assistance](#) 
- › [Support services](#) 

Athabasca University reserves the right to amend course outlines occasionally and without notice. Courses offered by other delivery methods may vary from their individualized study counterparts.

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View [previous revision](#) 

