AC – 20/05/2025
Item No. – 7.7 (N) (4ab) Sem. III & IV

As Per NEP 2020

University of Mumbai

Syllabus for Minor Vertical 2		
Faculty of Commerce & Management		
Board of Studies in B.Com. (Financial Management)		
Second Year Programme in Minor (Financial Management)		
Semester	**III & IV**	
Title of Paper:	**Sem.**	**Total Credits 4**
I) Minor in Financial Management -I (Equity Derivatives- I)	**III**	**2**
Title of Paper:		**Credits**
I) Minor in Financial Management (Equity Derivatives- II)	**IV**	**2**
From the Academic Year		**2025-26**

Sem. - III

Syllabus
B.Com. (Financial Management)
(Sem.- III)

Title of Paper: Minor in Financial Management -I (Equity Derivatives- I)

Sr. No.	Heading	Particulars
1	**Description of the course:** **Including but not limited to:**	This course provides a comprehensive introduction to derivatives markets, their instruments, and their applications in risk management and investment strategies. It covers the fundamental concepts of derivatives, including forwards, futures, and options, along with their pricing, payoff structures, and market participants. The course also explores the significance of stock indices, their attributes, and their role in financial markets. Learners will gain insights into index management, major indices in India, and their applications. Additionally, the course delves into futures and options contracts, including their specifications, pricing mechanisms, and practical applications in financial decision making. By the end of this course, learners will develop a strong foundation in derivatives, understand the risks and benefits associated with them, and be able to apply analytical tools for informed investment and hedging strategies.
2	**Vertical:**	Minor
3	**Type:**	Theory
4	**Credit**:	4 credits (1 credit = 15 Hours)
5	**Hours Allotted:**	60 Hours
6	**Marks Allotted**:	100 Marks

7	**Course Objectives**: • To understand the fundamental concepts of derivatives, including their types, significance, and the role of market participants in the derivatives market. • To analyze the structure and functioning of forwards, futures, and options, including their pricing, payoff structures, and risk management strategies • To develop an understanding of options contracts, pricing models, payoffs, and the impact of factors like volatility, time decay, and market movements on option valuation. • To explore the characteristics, pricing, and practical applications of forward and futures contracts, along with their role in hedging, speculation, and arbitrage.
8	**Course Outcomes**: • Learners will learn to summarize**,** compare and contrast the knowledge of derivatives and stock market indices to evaluate their significance in financial markets. • Learners can evaluate different derivative instruments, including forwards, futures, and options, to make informed trading and investment decisions. • Learners can interpret the key concepts of options trading, analyze payoff charts, and apply option pricing models and Greeks to assess market movements. • Learners can assess the practical applications of derivatives in Financial Markets
9	**Modules**: - **04**
	Module 1: Basics of Derivatives and Understanding the Index
	• Basics of Derivatives • Derivatives Market – History & Evolution • Factors influencing the growth of the derivative market globally • Indian Derivatives Market • Products in the derivative Market • Market Participants • Types of Derivatives Market • Significance of Derivatives • Various risks faced by the participants in derivatives
	Module 2: Understanding the Index
	UNDERSTANDING THE INDEX • Introduction to an Index

- Significance of the stock index
- Types of Stock Market Indices
- Free-Float Market Capitalization Index, Price-Weighted Index and Equal Weighted Index
- Attributes of an Index
- Index management
- Index Construction and Index Maintenance and Index Revision
- Major Indices in India
- Application of Indices
- Index Funds, Index Derivatives and Exchange Traded Funds

Module 3: Introduction to Forwards and Futures

INTRODUCTION TO FORWARD CONTRACTS

- Major limitations of forwards
- Futures contracts
- Features of futures contracts and Limitations of Futures Contract
- Contract specifications of futures contracts
- Some important terminology associated with futures contracts
- Differences between Forwards and Futures
- Payoff Charts for Futures contracts
- Futures pricing
- Price discovery and convergence of cash and futures prices on the expiry
- Uses of futures
- Hedgers, Speculators / Traders, Arbitrageurs
- Uses of Index futures

Module 4: Introduction to Options

BASICS OF OPTIONS

- Contract specifications of exchange-traded options
- Moneyness of an option
- Intrinsic value and time value of an option
- Payoff Charts for Options

- Distinction between futures and options contracts
- Basics of Option Pricing and Option Greeks
- Option Pricing Models
- Implied volatility of an option
- Analysis of options from the perspectives of buyer and seller

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Text Books:

- John C. Hull – *Options, Futures, and Other Derivatives*
- S. S. Kumar – *Financial Derivatives*
- *S.L. Gupta* - Financial Derivatives: Theory, Concepts and Problems
- *Rajiv Srivastava* - Derivatives and Risk Management

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Reference Books:

- Equity Derivatives by National Institute of Securities Markets
- Madhumathi R., Ranganathan M. – *Derivatives and Risk Management* (Pearson)
- Robert W. Kolb & James A. Overdahl – *Financial Derivatives: Pricing and Risk Management* (Wiley)
- Prasanna Chandra **-** Financial Engineering and Derivatives

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Internal Continuous Assessment: 40%	**External, Semester End Examination 60% Individual Passing in Internal and External Examination**

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Continuous Evaluation through:

	Assessment/Evaluation	Marks
1	Class Test during the lectures. (Physical/ Online mode). (Short notes/ MCQ's/ Match the Pairs/ Answer in one sentence/ puzzles)	20
2	Participation in Workshop/ Conference/Seminar, Assignment & Viva. (Physical/Online mode)	10
3	Participation in Case Study/ Field Visit /Certificate Course. (Physical/Online mode)	10

Semester End External – 60 Marks

Time – 2 Hours

Attempt any 4 out of 6 questions

Question No.	Questions	Marks
Q.1	Practical/ Theory	15
Q.2	Practical/ Theory	15
Q.3	Practical/ Theory	15
Q.4	Practical/ Theory	15
Q.5	Practical/ Theory	15
Q.6	Practical/ Theory	15

Note

1. Equal Weightage is to be given to all the modules.
2. 15 marks question may be subdivided into 8 marks + 7 marks, 10 marks + 5

		marks and 5 marks + 5 marks + 5 marks. Internal options may be given however, it is not mandatory. 3. Use of simple calculator is allowed in the examination. 4. Wherever possible more importance is to be given to the practical problem.

Sem - IV

Syllabus
B.Com. (Financial Management)
(Sem.- IV)

Title of Paper: Minor in Financial Management -II (Equity Derivatives- II)

Sr. No.	Heading	Particulars
1	**Description of the course:** **Including but not limited to:**	This course provides a comprehensive understanding of equity derivatives, focusing on trading strategies, market mechanisms, risk management, accounting, taxation, and investor protection. It equips learners with essential knowledge of futures and options trading, clearing and settlement procedures, regulatory frameworks, and financial risk mitigation techniques in the Indian securities market. The course is designed to enhance both theoretical and practical insights, enabling learners to understand market trends, trading strategies, compliance requirements, and digital dispute resolution mechanisms.
2	**Vertical:**	Minor
3	**Type:**	Theory
4	**Credit**:	4 credits (1 credit = 15 Hours for Theory)
5	**Hours Allotted:**	60 Hours
6	**Marks Allotted**:	100 Marks
7	**Course Objectives:** • To understand the fundamental concepts of derivatives, including market participants, types of derivatives, and their significance in financial markets. • To analyze the pricing mechanisms, risk factors, and applications of forwards, futures, and options in financial decision-making.	

	• To provide learners with a comprehensive understanding of accounting principles, taxation of securities transactions, and compliance with regulatory frameworks in financial markets. • To equip learners with knowledge of investor protection mechanisms, sales practices, and online dispute resolution in the Indian securities market.
8	**Course Outcomes**: • Learners can apply the concepts of derivatives and stock indices to assess their role in financial markets and investment strategies. • Learners will understand how to evaluate various derivative instruments, including their pricing and risk management aspects, to make informed financial decisions. • Learners will be able to analyze and apply accounting and taxation concepts related to securities transactions. • Learners will develop an understanding of risk management, KYC norms, anti-money laundering policies, and investor grievance redressal mechanisms, ensuring ethical and regulatory compliance in financial services.

	Modules: - **04**
	Module 1: Strategies using Equity futures and Equity options
	• Futures contracts for hedging, speculation and arbitrage • Long hedge using stock futures, short hedge using stock futures, Hedging a portfolio using index futures, Using futures for trading or speculation, Bullish view: Long futures • Calendar spread • Use of options for trading and hedging • Arbitrage-using options: Put-call parity • Delta-hedging • Interpreting open interest and put-call ratio for trading strategies
	Module 2: Trading Mechanism
9	• Trading Mechanism • Entities involved in the trading of futures and options • Market Timing of Derivative segment • Eligibility criteria for selection of stocks for derivatives trading • Exit norms based on introduction of a Product Success Framework (PSF) for stock derivatives • Selection criteria for Index for trading • Adjustments for Corporate Actions • Trading costs • Algorithmic trading • Tracking Futures and Options data • Introduction of Investor Risk Reduction Access (IRRA) platform • Framework to address the 'technical glitches' in Stockbrokers' Electronic Trading Systems
	Module 3: **Introduction to Clearing and Settlement System**
	• Clearing Members • Clearing Mechanism

- Interoperability of clearing corporations
- Settlement Mechanism
- Risk Management
- Margining and mark to market under SPAN
- Position limits
- Violations and Penalties
- Settlement of running account of Client's funds lying with the TM
- Settlement Guarantee Fund and Investor Protection Fund
- Cyber Security & Cyber Resilience framework (CSCRF) for Stockbrokers / Depository Participants

Module 4: **Accounting and Taxation and Sales Practices and Investors Protection Services**

- Accounting
- Taxation of derivative transactions in securities
- Securities Transaction Tax (STT)
- High Return or Risk-Free Investments
- Understanding the risk profile of the client
- Risk Disclosure Document
- Written Anti Money Laundering Procedures
- Policy for acceptance of clients
- Clients of special categories (CSC)
- Documents to be obtained from customers for Customer Identification Procedure under KYC
- Investors Grievance Redressal Mechanism
- Online Dispute Resolution in the Indian Securities Market: Leveraging the Digital Transformation
- The Purpose and the Overview of the ODR Portal
- How the ODR Portal Works: A Step-by-Step Guide
- General Do's and Don'ts for Investors

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Text Books:

- S.S. S. Kumar – Financial Derivatives
- David Loader – Clearing, Settlement and Custody
- Jeffrey C. Hood – Securities Operations: A Guide to Trade and Position Management
- R.N. Lakhotia **-** Indian Taxation System

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Reference Books:

- Equity Derivatives by National Institute of Securities Markets
- NSE Academy **–** Introduction to Futures & Options
- Robert W. Kolb & James A. Overdahl **–** Financial Derivatives: Pricing and Risk Management
- Investor's Rights and Responsibilities – SEBI Handbook

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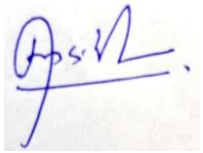

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