

FNCE90005 Advanced Derivative Securities

Credit Points:	12.50
Level:	9 (Graduate/Postgraduate)
Dates & Locations:	2010, Parkville This subject commences in the following study period/s: Semester 1, Parkville - Taught on campus.
Time Commitment:	Contact Hours: Seminars, lectures and tutorials totalling 3 hours per week Total Time Commitment: Estimated total time commitment of 120 hours per semester
Prerequisites:	333-309 Derivative Securities (/view/2010/333-309) and one of 333-613 Foundations of Finance (/view/2010/333-613) or 333-402 Advanced Investments. (/view/2010/333-402)
Corequisites:	None
Recommended Background Knowledge:	None
Non Allowed Subjects:	None
Core Participation Requirements:	For the purposes of considering requests for Reasonable Adjustments under the Disability Standards for Education (Cwth 2005), and Students Experiencing Academic Disadvantage Policy, academic requirements for this subject are articulated in the Subject Description, Subject Objectives, Generic Skills and Assessment Requirements for this entry. The University is dedicated to provide support to those with special requirements. Further details on the disability support scheme can be found at the Disability Liaison Unit website: http://www.services.unimelb.edu.au/disability/
Coordinator:	Prof Bruce Grundy
Contact:	Graduate School of Business and Economics Student Centre Level 4, 198 Berkeley Street Telephone: +61 3 8344 1670 Online Enquiries: http://www.gsbe.unimelb.edu.au/future/unity_forms/contact.html (http://www.gsbe.unimelb.edu.au/future/unity_forms/contact.html/) Web: www.melbournegsm.unimelb.edu.au (http://www.gsbe.unimelb.edu.au/)
Subject Overview:	Arbitrage bounds, stock price dynamics, geometric Brownian motion and Itos Lemma, Cox-Ross-Rubinstein binomial model, Black-Scholes model, risk neutral valuation, forwards and futures, currency, stock index, futures and exotic options, Interest rate derivative securities.
Objectives:	On successful completion of this subject students should be able to: <ul style="list-style-type: none"> # Explain the role of arbitrage as a basis for determining the prices of financial securities; # Compare the various dynamics of stock price and interest rate models; # Explain the derivation of key option pricing models including the Cox-Ross-Rubinstein Binomial model and the Black-Scholes model; # Analyse the use of arbitrage pricing techniques to value other classes of derivative securities including forwards, futures, swaps and interest rate derivatives; # Analyse the theoretical limitations of key pricing models and on practical difficulties which arise in their implementation.
Assessment:	3-hour end-of-semester examination (70%) Assignments totalling not more than 3000 words (30%)
Prescribed Texts:	You will be advised of prescribed texts by your lecturer.
Breadth Options:	This subject is not available as a breadth subject.
Fees Information:	Subject EFTSL, Level, Discipline & Census Date, http://enrolment.unimelb.edu.au/fees

Generic Skills:	On successful completion of this subject, students should have improved the following generic skills: <ul style="list-style-type: none"># Oral communication# Written communication# Collaborative learning# Problem solving# Team work# Statistical reasoning# Application of theory to practice# Interpretation and analysis# Critical thinking# Synthesis of data and other information# Evaluation of data and other information# Using computer software
Related Course(s):	Master of Commerce - Finance