

ACTL40004 Advanced Financial Mathematics I

Credit Points:	12.5									
Level:	4 (Undergraduate)									
Dates & Locations:	2016, Parkville This subject commences in the following study period/s: Semester 1, Parkville - Taught on campus.									
Time Commitment:	Contact Hours: Three hours of lectures and/or tutorials per week Total Time Commitment: Not available									
Prerequisites:	Both of: <table border="1" data-bbox="387 573 1485 779"> <thead> <tr> <th>Subject</th> <th>Study Period Commencement:</th> <th>Credit Points:</th> </tr> </thead> <tbody> <tr> <td>ACTL30006 Financial Mathematics III</td> <td>Semester 1</td> <td>12.50</td> </tr> <tr> <td>ACTL30005 Models for Insurance and Finance</td> <td>Semester 2</td> <td>12.50</td> </tr> </tbody> </table>	Subject	Study Period Commencement:	Credit Points:	ACTL30006 Financial Mathematics III	Semester 1	12.50	ACTL30005 Models for Insurance and Finance	Semester 2	12.50
Subject	Study Period Commencement:	Credit Points:								
ACTL30006 Financial Mathematics III	Semester 1	12.50								
ACTL30005 Models for Insurance and Finance	Semester 2	12.50								
Corequisites:	None									
Recommended Background Knowledge:	Please refer to Prerequisites and Corequisites.									
Non Allowed Subjects:	None									
Core Participation Requirements:	<p><p>For the purposes of considering request for Reasonable Adjustments under the Disability Standards for Education (Cwth 2005), and Student Support and Engagement Policy, academic requirements for this subject are articulated in the Subject Overview, Learning Outcomes, Assessment and Generic Skills sections of this entry.</p> <p>It is University policy to take all reasonable steps to minimise the impact of disability upon academic study, and reasonable adjustments will be made to enhance a student's participation in the University's programs. Students who feel their disability may impact on meeting the requirements of this subject are encouraged to discuss this matter with a Faculty Student Adviser and Student Equity and Disability Support: http://services.unimelb.edu.au/disability</p></p>									
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Subject Overview:	The binomial model; risk-neutral pricing of derivative securities; Brownian motion; introduction to Itô's formula and SDEs; stochastic asset models; Black-Scholes model; arbitrage and hedging; interest-rate models; actuarial applications (e.g. maturity guarantees, SPDAs) and simple models for credit risk.									
Learning Outcomes:	<ul style="list-style-type: none"> # The binomial model; # Risk-neutral pricing of derivative securities; # Brownian motion; # Introduction to Itô's formula and SDEs; # Stochastic asset models; # Black-Scholes model; # Arbitrage and hedging; # Interest-rate models; # Actuarial applications (e.g. maturity guarantees, SPDAs). 									

Assessment:	A one hour mid-semester test (20%) An assignment equivalent to 1000 words due in the second half of semester (10%) A 2-hour end-of-semester examination (70%)
Prescribed Texts:	You will be advised of prescribed texts by your lecturer.
Recommended Texts:	Information Not Available
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:	# High level of development: written communication; problem solving; mathematical reasoning; application of theory to practice; interpretation and analysis.