Objective: The goal of this course is to give students a thorough understanding of the theory of OPTIONS and SWAPS and its various practical applications. It covers pricing, trading strategies, and hedging applications of OPTIONS and SWAPS. The main emphasis of the course is to show the role of these derivatives in investment management and risk management.


Chapters: 8, 9, 10, 12, 13, 15, and 7.

Characteristics and Risks of Standardized Options published by the Options Clearing Corporation – OCC. Go to www.cboe.com. It is at the bottom of the page.

Additional material may be assigned during the course. If it is assigned it is a required reading material for the course.

Homework assignments:
Homework will be assigned weekly on Wednesday in class and will be due at the beginning of the class the following Wednesday. Homework must be typed. Handwritten homework will not be accepted. Late homework will not be accepted. Homework assignments are individual. Do not copy homework assignments. If you are caught copying a homework assignment you will get “0” for
that assignment. If it happens for the second time you will be dropped from the class with an “F”.

The two lowest homework scores will be dropped before computing the average of homework scores.

Exams:

1st exam: Monday, October 2, in class;
2nd exam: Monday, October 30, in class;
3rd exam: Wednesday, November 29, in class.

The exams are cumulative! I.e., in general, every exam covers all the material of the previous exams. However, the material for every exam will be discussed in class before the exam.

The exam questions are similar to the homework questions. NO multiple choice and NO true/false questions appear on the exams.

All exams are closed book and notes. You may, however, bring a calculator and 2 regular size pages of notes.

You must bring your University ID to all of the exams.

Makeup exams will only be allowed if you provide a medical certificate or some other extraordinary personal reason for absence.

Final Course grade:

Final Course Score =

= (.15)(Average of HW scores) + (.25)(1st exam score) + (.30)(2nd exam score) + (.30)(3rd exam score).

Example: 1st exam score = 63; 2nd exam score = 89; 3rd exam score = 81; HW average = 96. Final Course Score = (.15)(96) + (.25)(63) + (.30)(89) + (.30)(81) = 81.15.

The letter grade will be assigned according to a curve based on the class average performance.

Usually, the scale of letter grades is:
100 – 90 A 89 -87 A86 -77 B (including +, , -) 76 -67
C (including +, , -) 66 -55 D (including +, , -) 54 -0 F

Academic Honesty:
The University of Houston Academic Honesty Policy is strictly enforced by the C. T. Bauer College of Business. No violations of this policy will be tolerated in this course. A discussion of the policy is included in the University of Houston Student Handbook, [http://www.uh.edu/dos/hdbk/acad/achonpol.html](http://www.uh.edu/dos/hdbk/acad/achonpol.html). Students are expected to be familiar with this policy.

**Accommodations for Students with Disabilities:**

The C. T. Bauer College of Business would like to help students who have disabilities achieve their highest potential. To this end, in order to receive academic accommodations, students must register with the Center for Students with Disabilities (CSD) (telephone 713-743-5400), and present approved accommodation documentation to their instructors in a timely manner. We care about you.

This course satisfies the following learning outcomes: (1) Disciplinary competence; (2) Critical thinking.