



DE LA SALLE UNIVERSITY  
RAMON V. DEL ROSARIO COLLEGE OF BUSINESS  
FINANCIAL MANAGEMENT DEPARTMENT  
UNDERGRADUATE COURSE SYLLABUS, T3, AY 2020-2021

**COURSE CODE: FINDERV**  
**COURSE TITLE : FINANCIAL DERIVATIVES**  
**PREREQUISITE:**  
**CLASS DAYS AND TIME : TH 6:00-7:30 PM**  
**INSTRUCTOR : Ms. Janessa B. Tan**  
**CONSULTATION HOURS: By Appointment**

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**COURSE DESCRIPTION:**

This course is intended to provide the students with exposure to the fundamentals of financial derivatives and concepts. For pedagogical reasons, the treatment of derivatives will be made within the context of hedging activities (although there is really nothing stopping one from using derivatives as an investment class by itself). Given this, it then becomes very sensible to treat the modules on derivatives as a natural subset of financial management. Additionally, the motivation here is to enable the students to go back to the basics when trying to understand strange and new pricing formulas, and this idea permeates the whole module structure.

**LEARNING OUTCOMES (LO):**

On completion of the course, the student is expected to be able to do the following:

ELGA	LEARNING OUTCOME
Critical and creative thinkers	LO1: Discuss the concepts of risk, its various types and sources. LO2: Explain the risk management framework and its key factors. LO3: Analyze the effect of risk tolerance to risk management. LO4: Apply methods in measuring and modifying risk exposures.
Service-driven, ethical, and socially responsible citizens	LO5: Propose a risk management strategy for a specific company that complies with government regulations.
Effective communicators	LO6: Present the proposed risk management strategy.
Reflective life-long learning	LO7: Perform quantitative risk analysis using risk measurement techniques to assess the severity and consequences of a given risk as well as its overall threat.

**RUBRIC FOR ASSESSMENT:**

**A. CASE STUDY/TERM PAPER**

CRITERIA	EXEMPLARY 4	SATISFACTORY 3	DEVELOPING 2	BEGINNING 1	RATING
<b>Quality of documentation, supporting evidence and use of information (30%)</b>	Complete documentation of information which go beyond the requirements provided. All materials are used to support the analysis of the paper.	Proper documentation of information as stated by the requirements. Materials are used to support the analysis of the paper.	Proper documentation of information as stated by the requirement. Not all materials are used to support the analysis of the paper.	Incomplete documentation of information. Materials are not used in the analysis of the paper.	
<b>Organization of ideas (20%)</b>	All information and topics are in logical order. All main ideas are supported by well-explained evidence and analysis. Connections	Information and topics are in logical order. Some of the main ideas are supported by explanation and analysis. Overall, the content and	Information and topics are in not consistently organized. Some of the main ideas are supported by explanation and	Organization unclear; paragraph structure poor; transitions poor; the paper is hard to follow.	

	between paragraphs and ideas are clear. Overall, the content and flow of the paper should be clear.	flow of the paper should be clear.	analysis. The content and flow of the paper is not that clear.		
<b><i>Proper analysis, computations, and solutions (30%)</i></b>	All problems are correctly solved and solutions/action plans are clearly presented. The above shows the logic used to provide financial solutions.	All problems are solved with minimal mistakes. Action plans/solutions are presented. Logic is used to provide financial solutions.	Majority of the problems are solved.	Majority of the problems are not solved.	
<b><i>Neatness of paper format (10%)</i></b>	Proper spacing and indentation. Proper use of tables and graphs to make the paper reader-friendly.	Consistent use of spacing and indentation. Few tables and graphs.	Consistent use of spacing and indentation. No tables and graphs.	Inconsistent use of spacing and indentation.	
<b><i>Grammar (10%)</i></b>	No errors in grammar	Few errors in grammar	Many errors in grammar	Incorrect grammar all throughout the paper.	
<b>TOTAL:</b>					

**B. CASE STUDY/TERM PAPER PRESENTATION**

CRITERIA	EXEMPLARY 4	SATISFACTORY 3	DEVELOPING 2	BEGINNING 1	RATING
<b><i>Content and organization of presentation (20%)</i></b>	All information and topics are in logical order. All main ideas are supported by well-explained evidence and analysis. Connections between paragraphs and ideas are clear. Overall, the content and flow of the paper should be clear.	Information and topics are in logical order. Some of the main ideas are supported by explanation and analysis. Overall, the content and flow of the paper should be clear.	Information and topics are in not consistently organized. Some of the main ideas are supported by explanation and analysis. The content and flow of the paper is not that clear.	Organization unclear; paragraph structure poor; transitions poor; the paper is hard to follow.	
<b><i>Concreteness, clarity, and conciseness of the presentation (20%)</i></b>	All main topics of the report should be discussed and summarized. Analysis and insights should be included in the presentation within the allotted time.	All topics of the report were adequately discussed and summarized. Analysis and insights were sufficiently included in the presentation within the allotted time.	Few topics of the report were discussed and summarized. Incomplete or no analysis and insights were included in the presentation within the allotted time.	Incomplete topics were discussed and summarized. Analysis and insights not included in the presentation within the allotted time.	

<b>Language (20%)</b>	Correct use of grammar, good command of English, and appropriate word choice.	Occasional lapse in grammar.	Many incorrect use of grammar and improper choice of words	Wrong grammar, poor vocabulary, inappropriate word choice	
<b>Audience Impact (20%)</b>	Establish rapport through direct eye contact, confident and natural body language, and sustain audience interest. Proper voice projection. Mastery of the topic.	Generally able to establish rapport with the audience, project their voices well, show some confidence and mastery.	Sometimes loses the attention of the audience. Gets easily distracted. Occasionally peaks softly. Lacks confidence.	No rapport was established. No eye contact. Bad body language. Did not arouse the interest of the audience. Soft voice projection. No mastery of the topic. No confidence.	
<b>Visual and Audiovisual aids (20%)</b>	Adequate, appropriate, and skillful use of media	Aids are streamlined/clean. Generally easy to follow and enhance the presentation	Aids are cluttered and difficult to follow. Texts and graphics are not appropriate and can be distracting	No visual aids at all. Too technical. Disorganized and not used properly.	
				<b>TOTAL:</b>	

**GRADING SYSTEM:**

GRADING COMPONENTS	WEIGHT (%)
Exam 1	25%
Exam 2	25%
Exam 3	25%
Term Paper	25%
TOTAL	100%

GRADE POINT	EQUIVALENT
97-100	4.0
93-96	3.5
89-92	3.0
85-88	2.5
80-84	2.0
75-79	1.5
70-74	1.0
Below 70	0.0

**LEARNING PLAN:**

TOPIC	READINGS	LEARNING ACTIVITIES	ASSESSMENT / TASKS	WK NO.
<b>ORIENTATION CLASS OVERVIEW AND REQUIREMENTS</b>	Chapter 1: Hull, J. (2017). Options, Futures and Other Derivatives, Global Edition (ebook). Prentice Hall.	Synchronous Online Lecture and Discussion on Introduction to Risk Management  Asynchronous Activities: - Expected reading of Chap 1	Asynchronous:4.5 hrs Synchronous: 3hrs	1
<b>INTRODUCTION TO DERIVATIVES</b>	Chapter 1: Hull, J. (2017). Options, Futures and Other Derivatives, Global Edition (ebook). Prentice Hall.	<b>Synchronous</b> Online Lecture and Discussion on Introduction to Risk Management  <b>Asynchronous</b> Activities: - Expected reading of Chap 1	Group e-Activity on assigned reading  Asynchronous:4.5 hrs Synchronous: 3hrs	2
<b>Forwards and Futures</b> a. The market for forward and futures b. Marking to market and margins c. Valuing forward contracts and the forward price d. The futures price	Chapter 2-5: Hull, J.(2015). Options, Futures and Other Derivatives, Global Edition (ebook). Prentice Hall.	<b>Synchronous</b> Online Lecture and Discussion on different risks for financial institutions  <b>Asynchronous</b> - Expected reading of Chap 2-5	Group e-Activity on calculation of forwards and futures  Asynchronous:9 hrs Synchronous: 6hrs	3-4
<b>Exam 1</b>			Online Exam via Canvas	5
<b>WEEK 6: INDEPENDENT LEARNING 7.5 HRS</b>				
Swaps a. Swaps defined b. Elements of a swap c. Participation by Financial Intermediaries d. Types of Swaps (interest rate, currency, commodity, equity, variants, swaptions, etc) e. Pricing and Valuation Concepts f. Risks associated with swaps	Chapter 7: Hull, J. (2017). Options, Futures and Other Derivatives, Global Edition (ebook). Prentice Hall.	<b>Synchronous</b> Online Lecture and Discussion on different risks for financial institutions  <b>Asynchronous</b> - Expected reading of Chap 7	Group e-Activity on calculation of swaps  Asynchronous:9. hrs (week 6 independent learning week)  Synchronous: 6hrs	7-8

<b>Exam 2</b>			Online Exam via Canvas	8
Options <ul style="list-style-type: none"> <li>a. Types of options</li> <li>b. The market for options</li> <li>c. Option payoffs</li> </ul>	Chapter 10, 11 & 12: Hull, J. (2017). Options, Futures and Other Derivatives, Global Edition (ebook). Prentice Hall.	<b>Synchronous</b>  Online Lecture and Discussion on different risks for financial institutions  <b>Asynchronous</b> - Expected reading of Chap 10-12	Group e-Activity on pricing of options  Asynchronous:9 hrs  Synchronous: 6hrs	9-10
Option Pricing and Valuation <ul style="list-style-type: none"> <li>a. Pricing and valuation of options</li> <li>b. Factors affecting option prices</li> <li>c. No-arbitrage restrictions; the put-call parity</li> <li>d. -. Early exercise of American options</li> <li>e. Trading strategies involving options</li> <li>f. Black Scholes Model</li> <li>g. Greek letters</li> </ul>	Chapter 13, 15 & 19: Hull, J. (2017).. Options, Futures and Other Derivatives, Global Edition (ebook). Prentice Hall.	<b>Synchronous</b>  Online Lecture and Discussion on different risks for financial institutions  <b>Asynchronous</b> - Expected reading of Chap 13-15	Group e-Activity on pricing and valuation of options  Asynchronous:4.5 hrs (week 12 independent learning week) Synchronous: 3hrs	11
<b>WEEK 12: INDEPENDENT LEARNING 7.5 HRS</b>				
<b>SUBMISSION OF TERM PAPER AND PRESENTATIUN</b>			Term Paper/ Final Exam	13
<b>FINAL EXAM</b>			Online Exam via Canvas	14

**TEXTBOOK:**

Hull, J. (2017). Options, Futures and Other Derivatives 9th Edition (ebook). Prentice Hall.

**Online Class Policies (?)**

- Online Class Conduct**  
All students are expected to partake in meaningful discussions with the class. Students should also respect their fellow students (e.g. listening when someone else is speaking).
- Submission of requirements**  
ABSOLUTELY NO LATE SUBMISSION WILL BE ALLOWED.
- Policy on Academic Dishonesty**  
Academic dishonesty in any form (ex. cheating, plagiarism, fabrication of data, etc) will warrant a **final grade of 0.0 in the course** and a **disciplinary case**.

## **RVR COB CODE OF ETHICS:**

As a business leader, I recognize my role in society.

1. My purpose is to lead people and manage resources to promote human development and the common good and to create value that no single individual can create alone.
2. My decisions affect the well-being of individuals inside and outside my enterprise, today and tomorrow.

Therefore, I promise that:

1. I will manage with loyalty and care, and will not advance my personal interests at the expense of my enterprise or society.
2. I will promote socially useful products and services which serve human development, keeping in mind reasonable access for the poor and underprivileged.
3. I will understand and uphold, in letter and spirit, the laws and contracts governing my conduct and that of my enterprise.
4. I will refrain from corruption, unfair competition, or business practices harmful to society.
5. I will respect the human rights and dignity of all people affected by my enterprise, and I will oppose discrimination and exploitation.
6. I will promote a humane and enabling work community within my organization.
7. I will promote the just allocation of resources for all stakeholders of the company.
8. I will respect the right of future generations to advance their standard of living and enjoy a healthy planet.
9. I will report the performance and risks of my enterprise accurately and honestly.
10. I will invest in developing myself and others, helping the management profession continue to advance and create sustainable and inclusive prosperity.
11. In exercising my professional duties according to these principles, I recognize that my behavior must set an example of integrity, eliciting trust and esteem from those I serve. I will remain accountable to my peers and to society for my actions and for upholding these standards.

Adapted from:

The Global Business Oath ([http://theoathproject.org/?page\\_id=47](http://theoathproject.org/?page_id=47) )

Vocation of the Business Leader (<http://www.stthomas.edu/cathstudies/cst/VocationBusinessLead/>)

## **THE COVENANT FOR SHARED PROSPERITY**

The COVID-19 pandemic has shaken the very foundations of our society and economy. It has already claimed hundreds of Filipino lives and threatens so many more. The resulting government-imposed quarantines and lockdowns have shut down businesses providing services and products needed by citizens. This, in turn, has led to devastating loss of income for the many whom we depend on for our businesses and organizations to function but who are also the most vulnerable in our communities. Many of these people are now fearful for their lives not just from the virus but from hunger and starvation. Hence, the current national health crisis, while terrible and disruptive for all of us, also leads us to look with compassionate eyes at poverty and inequality as core problems plaguing Philippine society that demand attention from us as the country's business leaders -- during the pandemic and after.

The Philippine Business Groups (PBGs) support the vision of the government, articulated in Ambisyon 2040, which states that "the Philippines shall be a country where all citizens are free from hunger and poverty, have equal opportunities, enabled by a fair and just society that is governed with order and unity. A nation where families live together, thriving in vibrant, culturally diverse and resilient communities." We have 20 years to make this happen.

The PBGs realize that our country, like many other countries around the world, is suffering from gross inequality not only in economic and financial terms but also in the social, environmental and political aspects of our national life. This gross inequality in our society has been with us for generations fueled by greed; illegal and unethical practices; callousness to the needs of our communities, especially those at the bottom of the pyramid; and indifference to Mother Earth by some among us. We seek to end these practices.

We believe that a way to address inequality in all its forms in our society and to enhance the dignity of human beings and, thus, achieve inclusive development is for MAP members and member-companies to collectively mobilize their human, technical, economic and financial

resources to ensure ethical wealth creation and the sharing of prosperity with all their stakeholders.

We also encourage all the colleges and universities offering business and business-related courses to inculcate and emphasize among their students -- current and next generation of managers -- the principles and practices of sharing prosperity.

We therefore pledge and commit to:

1. Recruit, train and develop our employees and managers to be the best that they can be irrespective of gender, alma mater, age, ethnicity and religion; provide just compensation and benefits; promote meritocracy and encourage work-life harmony;
2. Provide only quality products and services that are of continuing value to our customers;
3. Treat our goods, service and funds providers fairly, ethically and with respect as we expect them to treat their own workers in their supply chain the same way;
4. Be actively involved in the communities where we operate in with particular attention to the needs of the disadvantaged in those communities;
5. Protect and preserve the environment for the benefit of current and future generations by employing environment friendly technologies in all aspects of business operations; and
6. Deliver reasonable and just returns to and fair treatment of our controlling and non-controlling shareholders.

We pledge to do all these and sign this Covenant for Shared Prosperity on this 5th day of November, 2020.

**Prepared by:**

  
**Janessa Tan**  
Faculty

**Approved by:**

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**MS. MARYCRIS O. ALBAO**  
OIC-Chair, FMD

**Noted by:**

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**DR. EMILINA R. SARREAL**  
Dean, RVR-COB