



COURSE(MODULE) DESCRIPTION

Course title	Code
Financial Markets and Derivatives	

Lecturer(s)	Department(s) where the course unit (module) is delivered
Coordinator: Ass. prof. Dr. Laima Urbšienė Other(s):	Economic Policy Department, Faculty of Economics and Business Administration

Study cycle	Type of the course unit (module)
Second	Elective

Mode of delivery	Period when the course unit (module) is delivered	Language(s) of instruction
Classroom	Spring semester	English

Requirements for students	
Prerequisites: basic knowledge in finance and statistics	Additional requirements (if any):

Course (module) volume in credits	Total student's workload	Contact hours	Self-study hours
5	130	24	106

Purpose of the course unit (module): programme competences to be developed		
<p>The aim of the course is to introduce students to financial markets and derivatives: to present main concepts of risk and return and the basic approaches to risk management by using four types of derivatives: forward, futures, options and swops. The course aims to develop the following competences:</p> <ul style="list-style-type: none"> - to understand how financial markets operate and how it is possible to raise the funds and invest in financial markets - to understand the risk and return and the ability to apply the key principles in risk return evaluation according to the state of economy; -to understand the basic features of forward, futures, options and swops and how these derivatives could be used for hedging, speculation and arbitrage; - the ability to read forward, futures, options and swops quotations and calculate the value of derivative; - the ability to apply option model in company equity evaluation; -the ability to analyse, assess and otherwise process the acquired knowledge and other information, the ability to think critically. 		
Learning outcomes of the course unit (module)	Teaching and learning methods	Assessment methods
Student will be able: <ul style="list-style-type: none"> - to identify the basic types of securities markets and transaction types; - to understand the role of market participants, especially the role and responsibilities of market intermediaries (2.1); - to evaluate key aspects of global securities markets, including the risks associated with foreign investments (1.2,); - to understand the meaning of the term <i>investment</i> and the factors used to differentiate types of investments; - to describe the investment process and main investment instruments (2.1); 	Problem-based teaching, individual reading. The lectures will focus on the critical issues and theoretical advancements in the academic literature and application in the area of financial markets. The analysis will be enriched in the seminars where students will work on a series of cases and problems. This will include materials from throughout the world reflecting different levels of financial market developments. Students will be able to craft their ideas, conclusions and proposals taking into	An exam (a test). Presentation of cases. Problem solving

- to understand the security market line, efficient market hypothesis and portfolio theory (4.2, 4.4, 3.2);	account perspectives and constraints of development. Active learning methods (case study, mind mapping, learning by doing, group discussion)	
- to understand different types of derivatives: forwards, futures, options and swaps, their advantages and disadvantages (1.1, 3.1); - to be able to manage a systematic risk by using the financial derivatives; (1.2, 4.2, 4.4)	Lectures (problem-based teaching, lecture-discussion), problem solving, active learning methods (case study, mind mapping, learning by doing, group discussion, reflection methods), individual reading, discussions in the group.	An exam (a test). Problem solving
- to apply option valuation to variety of corporate issues (1.2).	Lectures (problem-based teaching, lecture-discussion), problem solving, individual reading	

Content: breakdown of the topics	Contact hours							Self-study work: time and assignments	
	Lectures	Tutorials	Seminars	Exercises	Laboratory work	E-learning	Contact hours	Self-study hours	Assignments
Introduction to course	1						1		
The structure and trading in financial markets: Regulation, MIFID Directive. Participants, Their Role and Functions. Market Classification. Issue and Trading Methods.	3		2				5	20	3 Case presentations: the main functions of market institutions; stock exchange; crisis analysis; Problem solving
Return, Risk, and the Security Market Line: Returns and Average Returns. The Variability of Returns. Capital Market Efficiency. Expected Returns and Variances. Risk: Systematic and Unsystematic. Diversification and Portfolio Risk. Systematic Risk and Beta. The Security Market Line and the Cost of Capital. Hedging and Price Volatility. Managing Financial Risk.	2			2			4	20	Reading of literature, problem solving about returns, Average Returns and Variability of Returns. Market Efficiency. Expected Returns and Variances. Systematic and Unsystematic risk. The Security Market Line and the Cost of Capital.
Forward Contracts and Futures Contracts: Forward Contracts. Pricing of Forward Contracts. Hedging with Forward Contracts. Future Contracts. Pricing of Future Contracts. Hedging with Future Contracts.	4			1			4	20	Reading of literature, problem solving about forwards, futures, options and swaps. Case analysis
Swap Contracts: Swap Contracts. Pricing of Swap Contracts. Hedging with Swap Contracts.	2			1			4	20	
Options and Corporate Finance: Options: The Basics. Call and Put. Strike or Exercise price. Expiration Date. Option Premium. Option Writer.	6			2			6	26	

American and European Option. Fundamentals of Option Valuation. Valuing a Call Option. Employee Stock Options. Equity as a Call Option on the Firm's Assets. Options and Capital Budgeting. Options and Corporate Securities.								
Total	16		2	6			24	106

Assessment strategy	Weight %	Deadline	Assessment criteria
Colloquium		After 3 rd topic completion	Test consists of 40-50 open and multiple choice questions. Their assessment depends on the percentage of right answers collected. For assessment a ten-point scale shall be applied: 95-100% or excellent, 10. 85-94% or very good, 9. 75-84% or good, 8. 65-74% or average, 7. 55-64% or satisfactory, 6. 50-54% or weak, 5. Less than 50% or failed, when the minimal requirements are not satisfied: 4, 3, 2, 1.
An exam (a test)	40	at the end of course	
Problem solving	30	Online during the course	Problem solving depends on the amount of homeworks solved at satisfactory level. For homework assessment a ten-point scale shall be applied
Case presentation	10	During the seminars	Case presentations shall be assessed on ten-point scale. The criteria which will be used to assess the each presentation will be: - the level and quality of literature review, as well as other materials; - a demonstration of ability to utilize and adopt in practice the key concepts.
Final grade for the course shall be positive if the student passes the final exam (provides at least 50% of right answers) and final compound mark is not less than 5.			

Author	Published in	Title	Issue No. or Volume	Publishing house or Internet site
Compulsory reading				
Bodie, Z. A. Kane, A. Marcus	2018	Investments and Portfolio Management	9th Edition	McGraw-Hill Europe
Brealey, Richard A. Myers, Stewart C. Allen, Franklin	2011	Principles of Corporate Finance	10 th Edition	McGraw-Hill/Irwin
Gitman, L. J., Joehnk, M.D. Smart, Scott B.	2016	Fundamentals of Investing	13 th Edition	Pearson
Reilly, F. K., Brown, K. C, Leeds, S.J.	2019	Investment analysis and Portfolio Management	11 th Edition	South-Western College Pub.
Ross, Stephen Westerfield, Randolph Jordan, Bradford	2010	Fundamentals of Corporate Finance	10 th Edition	McGraw-Hill Education
Optional reading				
Eitman, David K. Stonehill, Arthur I. Moffett, Michael H.	2013	Multinational Business Finance	13 th Edition	Pearson Education, Inc.
Davidson, Ian Tippet, Mark	2012	Principles of Equity Valuation	2nd Edition	Routledge
Rose, Peter S.	2008	Money and Capital Markets	10 th Edition	McGraw-Hill

Valdez, Stephen Molyneux, Philip	2013	An Introduction to Global Financial Markets	7 th Edition	Palgrave Macmillan
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