

**Revised Syllabus of Courses of Bachelor of Management Studies  
(BMS) Programme at Semester V  
with effect from the Academic Year 2018-2019**

**Elective Courses (EC)  
Group A: Finance Electives**

**2. Commodity and Derivatives Market**

**Modules at a Glance**

SN	Modules	No. of Lectures
1	Introduction to Commodities Market and Derivatives Market	15
2	Futures and Hedging	15
3	Options and Option Pricing Models	15
4	Trading, Clearing & Settlement In Derivatives Market and Types of Risk	15
<b>Total</b>		<b>60</b>

**Objectives**

SN	Objectives
1	To understand the concepts related to Commodities and Derivatives market
2	To study the various aspects related to options and futures
3	To acquaint learners with the trading, clearing and settlement mechanism in derivatives market.

SN	Modules/ Units
1	<b>Introduction to Commodities Market and Derivatives Market</b>
	<p><b>a) Introduction to Commodities Market :</b></p> <ul style="list-style-type: none"> <li>• Meaning, History &amp; Origin, Types of Commodities Traded, Structure of Commodities Market in India, Participants in Commodities Market, Trading in Commodities in India(Cash &amp; Derivative Segment), Commodity Exchanges in India &amp; Abroad, Reasons for Investing in Commodities</li> </ul> <p><b>b) Introduction to Derivatives Market:</b></p> <ul style="list-style-type: none"> <li>• Meaning, History &amp; Origin, Elements of a Derivative Contract, Factors Driving Growth of Derivatives Market, Types of Derivatives, Types of Underlying Assets, Participants in Derivatives Market, Advantages &amp; Disadvantages of Trading in Derivatives Market, Current Volumes of Derivative Trade in India, Difference between Forwards &amp; Futures.</li> </ul>
2	<b>Futures and Hedging</b>
	<p><b>a) Futures:</b></p> <ul style="list-style-type: none"> <li>• Futures Contract Specification, Terminologies, Concept of Convergence, Relationship between Futures Price &amp; Expected Spot Price, Basis &amp; Basis Risk, Pricing of Futures Contract, Cost of Carry Model</li> </ul> <p><b>b) Hedging:</b></p> <ul style="list-style-type: none"> <li>• Speculation &amp; Arbitrage using Futures, Long Hedge – Short Hedge, Cash &amp; Carry Arbitrage, Reverse Cash &amp; Carry Arbitrage, Payoff Charts &amp; Diagrams for Futures Contract, Perfect &amp; Imperfect Hedge</li> </ul>
3	<b>Options and Option Pricing Models</b>
	<p><b>a) Options:</b></p> <ul style="list-style-type: none"> <li>• Options Contract Specifications, Terminologies, Call Option, Put Option, Difference between Futures &amp; Options, Trading of Options, Valuation of Options Contract, Factors affecting Option Premium, Payoff Charts &amp; Diagrams for Options Contract, Basic Understanding of Option Strategies</li> </ul> <p><b>b) Options Pricing Models:</b></p> <ul style="list-style-type: none"> <li>• Binomial Option Pricing Model, Black - Scholes Option Pricing Model</li> </ul>
4	<b>Trading, Clearing &amp; Settlement In Derivatives Market and Types of Risk</b>
	<p><b>a) Trading, Clearing &amp; Settlement In Derivatives Market:</b></p> <ul style="list-style-type: none"> <li>• Meaning and Concept, SEBI Guidelines, Trading Mechanism – Types of Orders, Clearing Mechanism – NSCCL – its Objectives &amp; Functions, Settlement Mechanism – Types of Settlement</li> </ul> <p><b>b) Types of Risk:</b></p> <ul style="list-style-type: none"> <li>• Value at Risk, Methods of calculating VaR, Risk Management Measures , Types of Margins, SPAN Margin</li> </ul>