1. Course Information

Course Title: Risk Management  
Course number: 4350  
Course Section: N  
Credit: Hours: 3  
Semester: Spring, 2015  
Prerequisites: ECON 1331, 1332; MATH 1353; ACCT 1341  
Room #: Malloy Hall 017  
Days & hours: Tue, Thur 5:30 – 6:45 pm

2. Instructor Information

Name: Peter Obitade  
Office hours: Appointment ONLY  
E-mail: petetola@hotmail.com;  
Where to leave assignments: BlackBoard

3. Course Catalog Description

This course addresses specialized finance issues involving risk and uncertainty. Students learn how derivatives, futures, options and other financial instruments can be used to reduce business and financial risk as well as how these instruments can be used as vehicles for high–risk/high return investments.  
Prerequisites: ECON 1331, 1332, MATH 1353, ACCT 1341.

4. Program Goals and Objectives:

The Bachelors of Business Administration has five goals.

When students complete the BBA degree at the University of St. Thomas:

1. They will communicate clearly, effectively and logically in a business situation:
   - Objective1: Graduates can demonstrate mastery of appropriate communication technology.  
   - Objective 2: Graduates can produce written materials that flow logically and are grammatically correct.  
   - Objective 3: Graduates can deliver a compelling oral presentation grounded in relevant information and facts.

2. They will be adept at critical thinking and be able to demonstrate creative decision making skills.
Objective 1: Graduates can identify the main problem and key surrounding assumptions.
Objective 2: Graduates can evaluate the logic, validity and relevance of data.
Objective 3: Graduates can solve challenging problems and discuss conclusions, implications.

3. They will be able to work effectively in teams towards achievement of goals.
   Objective 1: When working in a group, graduates can demonstrate collaborative behaviors in the achievement of group goals
   Objective 2: When working in a group, graduates can evidence accountability for the achievement of group goals
   Objective 3: When working in a group, graduates can demonstrate a positive attitude towards the group and the other members of the group

4. They will be able to state moral standards/principles, recognize possible moral issues and bring their moral knowledge to bear in resolving these moral issues.
   Objective 1: Graduates can state professional codes for ethical conduct as they apply to business situations.
   Objective 2: Graduates can discern moral issues in a business case.
   Objective 3: Graduates can bring moral principles to bear in resolving business issues.

5. They will demonstrate an understanding of fundamental business issues and processes.
   Objective 1: When students complete the BBA, they can demonstrate their management specific skills and competencies in Accounting, Economics, Management, Quantitative methods, Finance, marketing, Legal and Social Environments, Information System and Global Issues

6. Course Learning Objectives

   Upon finishing the course I expect that you can:

   • Know how the various financial derivative markets function (Goal 5)
   • Know how futures are used for hedging risks (Goal 5)
   • Show how futures prices are determined (Goal 5)
   • Show the price bounds on options (Goal 3)
   • Understand when to use what strategies to trade options (Goal 2)
   • Understand how to use binomial tree and Black-Scholes model to price options (Goal 3)
   • Talk about swaps and CDS and how their prices are determined (Goal 1)
   • Have a basic understanding of 2007 credit crisis (Goal 4)

6. Texts, Readings, Materials

   Required text citation: Fundamentals of Futures and Options Markets, 8th ed. By John C. Hull
Supplementary readings:

*Wall Street Journal*

Other material posted on Blackboard

**Required financial calculator:** *A financial calculator is required for the course (Texas Instruments BAII Plus recommended and will be demonstrated in class). The BA II Plus does everything that is required in the course but other calculators with similar capabilities are acceptable as well. You cannot share calculators with other students during exams. Make sure to learn how to use your calculator prior to the scheduled exams.*

### 7. Instructional methods:

Class time will be devoted to lecture, discussion, and analysis of assigned problems. Finance is a subject highly problem oriented. Assigned problems will be collected but will not be returned to you. However, I do check homework on a randomized basis. The solutions for the homework problems will be posted on BB regularly. We will discuss these solutions for the problems in class as our time permits. Active participation in class is encouraged and required. You will also be assigned a team project throughout the semester.

### 8. Technology

Students are expected to be able to perform the following:

1) Online data retrieval and/or research on the World Wide Web;
2) Online communication or collaboration with each other;
3) Use of Microsoft Office programs to complete assignments;
4) Use of a calculator (regular and/or financial);
5) Use of BlackBoard learning platform

### 9. Course Tentative Schedule:

<table>
<thead>
<tr>
<th>Assignments of topics, exams</th>
<th>Days</th>
<th>Homework - Practice Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chap 1 - Introduction</td>
<td>01/12 &amp; 01/14</td>
<td>Q 1.8 - 1.12</td>
</tr>
<tr>
<td>Chap 2 – Mechanics of Futures Markets</td>
<td>01/19 &amp; 01/21</td>
<td>Q 2.8 - 2.13</td>
</tr>
<tr>
<td>Chap 3 – Hedging Strategies Using Futures</td>
<td>01/26 &amp; 01/28</td>
<td>Q 3.8 - 3.13</td>
</tr>
<tr>
<td>Chap 4 – Continuous Compounding and Risk-Free Rate</td>
<td>02/02 &amp; 02/04</td>
<td>Q 4.8 - 4.13</td>
</tr>
<tr>
<td>Review 1</td>
<td>9-Feb</td>
<td>No homework</td>
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<td>---------------</td>
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</tr>
<tr>
<td>Test 1</td>
<td>11-Feb</td>
<td>Chapter 1, 2, 3, &amp; 4</td>
</tr>
<tr>
<td>Chap 8 - Credit Crisis of 2007</td>
<td>02/16 &amp; 02/18</td>
<td>Q 8.8 - 8.13</td>
</tr>
<tr>
<td>Chap 6 – Interest Rates Futures</td>
<td>02/23 &amp; 02/25</td>
<td>Q6.1 - 6.4</td>
</tr>
<tr>
<td>Chap 9 – Mechanics of Options Markets</td>
<td>03/02 &amp; 03/04</td>
<td>Q 9.8 - 9.13</td>
</tr>
<tr>
<td>Spring Break</td>
<td>03/09 &amp; 03/11</td>
<td>No homework</td>
</tr>
<tr>
<td>Chap 11 – Trading Strategies Involving Options</td>
<td>03/16 &amp; 03/18</td>
<td>Q 11.8 - 11.12</td>
</tr>
<tr>
<td>Review 2</td>
<td>23-Mar</td>
<td>No homework</td>
</tr>
<tr>
<td>Test 2</td>
<td>25-Mar</td>
<td>Chap 8, 6, 9 &amp; 11</td>
</tr>
<tr>
<td>Chap 14 – Employee Stock Options</td>
<td>03/30 &amp; 04/01</td>
<td>Q 14.8 - 14.12</td>
</tr>
<tr>
<td>Chap 22 – Exotic Options and others</td>
<td>04/06 &amp; 04/08</td>
<td>Q 22.8 - 22.9</td>
</tr>
<tr>
<td>Chap 7 – Swaps</td>
<td>04/20 &amp; 04/22</td>
<td>Q 7.8 - 7.12</td>
</tr>
<tr>
<td>Final review and student presentation</td>
<td>04/27 &amp; 04/29</td>
<td>No homework</td>
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<tr>
<td>Final Exam</td>
<td>4-May</td>
<td>Chapter 14, 22, 24 &amp; 7</td>
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</tbody>
</table>

The above schedule and procedures in this course are subject to change in the event of circumstances beyond the instructor's and department’s control. Please notice that the instructor can make changes to the tentative course schedule anytime during the Fall 2014 semester.

10. Course Policies

1) Pre-class readings
Although the textbook is good reference for review and studying, many students reflect that it is hard to understand without first learning the material in class. To promote in-class understanding and discussion, I encourage you to read the each chapter before the class period to familiarize yourself with the topics. Reading it before class is mandatory and counts towards class participation.

Please start the homework and study for homework early in the week, otherwise you will be “triple-busy” (HW, quiz-prep, and reading) before the class.

1. Your regular attendance is strongly encouraged and mandatory. An important part of your final grade depends on your class participation which can only be achieved by regularly attending and contributing to the class.

2. Make up exams will *not* be permitted unless I am notified of your absence on an exam *before* the exam date. Make up exams from excused absences will be scheduled at a time mutually agreeable to the instructor and the student.
3. You should prepare for ALL regularly scheduled classes prior to class meeting. Also, you are expected to arrive on time and stay in class until the class period ends. If you know in advance that you will need to leave early, please notify me before the class period begins.

4. Comments and questions are encouraged to share with the whole class. Private discussion or chatting with your peers are discouraged and will be viewed as destructive for the learning environment. Please respect the class by not doing so.

5. Participation performance is determined by your contribution to the learning process in class. It includes, but not limited to, comments, personal insights, constructive questions, work experience, and answers to assignments and cases.

6. The use of cell phones and other electronic devices such as laptops, electronic reading devices, and smart phone features is discouraged during the class period. Unless for important reasons, please try not to use it.

7. Your team’s consistent dedication for the group project is essential to complete the course successfully. Contribution of each team member to the project is expected and evaluated.

Attendance Policy
Attendance is mandatory and expected. If you missed four or more class meetings, your course grade, at the instructor's discretion, will be reduced by one letter grade. If you missed more than four classes, at the instructor's discretion, the grade will automatically become an F.

Academic Honesty
Academic integrity is very highly regarded at the University of St. Thomas. Using someone else’s work as your own is a grave violation of this principle. Ethical conduct is essential to a community of scholars and students searching for truth. Anything less than total commitment to honesty and honorable conduct undermines the efforts of the entire community. In the Cameron School of Business, students and faculty are expected to commit to a code that exemplifies each individual's honor and integrity. Any conduct that violates this standard and betrays the respect of others is a matter of grave concern and, accordingly, is deemed unacceptable.
11. Student Evaluation Procedures:

Grades of this class will be determined based on three exams, homework assignments, group project, and class participation. There are three exams and they will in total count for 50% of the total course grade. Group project, homework assignments, and class participation count for 10%, 10%, 5%, respectively. Class participation includes, but not limited to, comments, feedback, answers to class discussion and in-class problem solving sessions.

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage of total grade</th>
<th>Grade</th>
<th>Grade letter</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 exams : Exam 1, 2 and Final</td>
<td>Exam 1 and 2 each account for 15% (15*2); Final exam = 20%</td>
<td>93-100</td>
<td>A</td>
</tr>
<tr>
<td>Homework</td>
<td>10%</td>
<td>90 - 93</td>
<td>A-</td>
</tr>
<tr>
<td>Group Project</td>
<td>20%</td>
<td>87 - 89</td>
<td>B+</td>
</tr>
<tr>
<td>Weekly Business News Report</td>
<td>10%</td>
<td>84 - 86</td>
<td>B</td>
</tr>
<tr>
<td>Movie Review</td>
<td>5%</td>
<td>80 - 83</td>
<td>B-</td>
</tr>
<tr>
<td>Class Participation</td>
<td>5%</td>
<td>77-79.9</td>
<td>C+</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>74-76.9</td>
<td>C</td>
</tr>
<tr>
<td></td>
<td></td>
<td>70-73.9</td>
<td>C-</td>
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<td></td>
<td></td>
<td>60-69.9</td>
<td>D</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Below 60</td>
<td>F</td>
</tr>
</tbody>
</table>

12) Weekly Business News Report: Read business articles, opinions or news in the follow business media listed below (ONLY). Reading these magazines/opinions will help you relate topics covered in class to the real business world and will be instrumental in preparing you for career in business.

After reading the article, summarize the content and submit one-page paper (each week) by answering these 3 questions:

A) What is the topic discussed in the article?
B) Why is the topic important or why should we care about the topic?
C) How will the knowledge gained from this article help you prepared for future career in finance or business?

Cite your sources in APA format

CNNMoney.com
Marketwatch.com
Yahoo Finance


**CNBC TV**  
_Nightly Business News Report (PBS)_  
_Wall Street Journal,  
_The Economist,  
_Business Week,  
_Fortune Magazine,  
_Investor Business Daily_

_Improve your presentation skill_ – As part of the 10% grade for this review, you are required to create a 3-page PowerPoint to be presented in the class during the semester: one presentation per student. More information to follow…....

13) **Required movies:** There will be 2 movies for you to watch outside the class. Our library has these movies and you can check out these movies from our library. You will then submit a 1-2 pages synopsis of each movie as homework assignments via BB. The names of the movies are:

   A) Inside Job (Director: Charles Ferguson) — Synopsis is due on March 13, 2015.

14) **Exams:** There will be 3 exams throughout the course. Each of the exams will be worth the same points. Chapters that will be included in each exam are clearly indicated in the tentative class schedule. Exams will contain some or all forms of multiple choice, short answer, and fill-in-the-blank questions as well as numerical problems.

15) **Group Presentation:** Students are expected to make 20-minute group presentations on financial analysis of a corporation at the end of the semester. Students will work in teams consisting no more than 5 students per group. Each group will conduct a financial research on a company and compare it to its industry/rivals. Students have to approach me to discuss and finalize their companies/industries before **February 4, 2015**. By this time, the teams must be formed, the companies/industries must be decided and requests will not be entertained beyond this date. On **February 11, 2015** students are expected to submit a word file that consists of the names of the team members along with their proposed companies/industries for the project via BB. Further details of this assignment will be provided in class. Presentations will be scheduled for the last couple weeks of classes.

The course cover mostly topics in Options and Futures which are financial instruments used primarily by the financial industry. Due to the exclusive use of these instruments by financial institutions, your group should select a company from the following:

- Chicago Board Option Exchange
- NASDAQ OMX
- NYSE Euronext
• International Securities Exchange  
• CME Group  
• Goldman Sachs  
• JP Morgan Chase  
• Morgan Stanley  
• Citibank  
• Blackrock  
• Jefferies  
• Bank of America  

The group presentation and the term paper should include the following (MINIMUM requirements):  
• Name and brief history of the company  
• Brief introduction of the products and divisions  
• Industry analysis  
  o The industry name  
  o Key players or companies in this industry  
  o The market leader  
  o Market share of the company under review  
  o Main challenges of this industry  
  o Would you like to work for this industry – why and why not?  
• SWOT analysis  
• Calculate and compare financial ratio of your company to:  
  o Main competitor  
  o Industry as a whole  
• Other important information about this company from SEC filing 10k (including management discussions)  
• Additional information  

The term paper should be 15 pages long (double spaced) and cited with APA format  

Scoring:  
There will be 2 scores: individual (5 points) and group (15 points);  

Individual – Every student in each group must participate in the presentation. Each student will receive 5 points based on:  
a) Presentation skill  
b) Knowledge of the material  
c) Additional information  

Group – The group score is divided into two – Group cohesion/presentation material (PowerPoint) and the quality of group term paper
16) **Homework Assignments:** There will be several problem and two movie assignments during the semester. It is imperative that each of you tries to solve all the questions and understands the solutions provided. The questions that will appear on exams will be very similar to those on the assignments. Homework will be assigned most weeks after class and will pertain to material covered during that week. Homework has to be submitted by Sunday night of each week. Each student is expected to do all the homework. Some questions from the homework may be discussed in class and input from the students will count toward class participation. Students will be given credit points for all attempted homework at the end of the term. Late homework will be accepted with some restrictions.

12. **Available Support Services:**

- **The Instructor:** Please stop by my office during office hour or email me.
- **Course-Specific Library Resources:** [http://campusguides.stthom.edu/](http://campusguides.stthom.edu/)
- **General Library Resources:** [http://www.stthom.edu/library_research/index.aqf](http://www.stthom.edu/library_research/index.aqf)
- **Learning and Writing Center (LWC):** [www.stthom.edu/tutoring](http://www.stthom.edu/tutoring)
- **IT Helpdesk:** Phone: (713) 525-6900 Email: ithelpdesk@stthom.edu

***Please note that students are encouraged to consult with tutors at the Learning and Writing Center when completing assignments for this course. Based on the instructor's assessment of the student's work, the student may be required to work with the tutors at the Center to improve the student's skills.

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The Cameron School of Business at University of St. Thomas

**MISSION STATEMENT**

The Cameron School of Business will serve students of diverse backgrounds, providing them the necessary professional skills for a changing global economy, and instilling in them a deep appreciation for ethical behavior as the hallmark of a successful and fulfilling business career. The Cameron School will provide its students a timely and comprehensive business curriculum, with opportunities for specialized study in major business fields. The faculty will provide quality teaching, as this is the core of our mission. As an extension of our teaching mission, the faculty will engage in scholarly activity and service to the University, the profession, and the community.

**Academic Honesty** Ethical conduct is essential to a community of scholars and students searching for truth. Anything less than total commitment to honesty and honorable conduct undermines the efforts of the entire community. Academic integrity lies at the very heart of any institution of higher learning. In the Cameron School of Business, students and faculty are expected to commit to a code that exemplifies each individual's
honor and integrity. Any conduct that violates this standard and betrays the respect of others is a matter of grave concern and, accordingly, is deemed unacceptable.

**Accommodations** The University of St. Thomas abides by the Americans with Disabilities Act and Section 504 of the Rehabilitation Act of 1973, which stipulates that no student shall be denied the benefits of an education "solely by reason of a handicap." If you have a documented disability that may impact your performance in this class and for which you may require accommodations, you must be registered with and provide documentation of your disability to Counseling and Disability Services which is located on the second floor of Crooker Center. Contact Debby Jones or Rose Signorello at 713-525-6953 or 713-525-3162.