The Cameron School of Business at University of St. Thomas

1. Course Information

Course Title: Risk Management  
Course number: 4350  
Course Section: Regular  
Credit Hours: 3  
Semester: Fall 2016  
Prerequisites: ECON 1331, 1332; MATH 1353; ACCT 1341  
Room #: Malloy 022  
Days & hours: MoWe 3:10 - 4:25 pm

2. Instructor Information

Name: Yiying Cheng  
Office location: Welder 206  
Office phone: (713) 525-2108  
Office hours: Mon and Wed 3:00 -5:30 pm, Fri 2:00-4:00pm or by appointment  
E-mail: chengy@stthom.edu  
Fax number: (713) 525–2110  
Where to leave assignments: Handout in class and/or 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:
   - Objective 1: 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)
   - Talk about swaps and CDS work 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:
7. Instructional methods:

- Lecture, Q&A
- Group discussion/Problem solving
- Peer review/critic
- You are also encouraged to use Bb discussion so that peer students and I can add to the discussion any time.

8. Technology

1) BlackBoard: Announcements will be posted on BlackBoard as well as be conveyed in class. Any material that has an electronic version will be posted on BlackBoard for your convenience. Please understand that Notes will NOT be posted. You are required to take your own notes in class and check with peer students or me if you miss any point.

2) Deriva-Gem: We will discuss topics using Deriva-Gem (the software that comes with the textbook) with Microsoft Excel. Some optional group project may use Deriva-Gem as well.
9. Course Tentative Schedule:

**Course Calendar/Schedule**

<table>
<thead>
<tr>
<th>Assignments of topics, exams</th>
<th>dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chap 1 - Introduction</td>
<td>8/22, 8/24</td>
</tr>
<tr>
<td>Chap 2 – Mechanics of Futures Markets</td>
<td>8/29,</td>
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<tr>
<td>Chap 3 – Hedging Strategies Using Futures</td>
<td>8/31, 9/7, 9/12</td>
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<tr>
<td>Chap 4 – Continuous Compounding and Risk-Free Rate</td>
<td>9/14</td>
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<tr>
<td>Chap 5 – Determination of Forward and Futures Prices</td>
<td>9/19,9/21,9/26</td>
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<tr>
<td>Review 1</td>
<td>9/28</td>
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<tr>
<td>Test 1</td>
<td>10/3</td>
</tr>
<tr>
<td>Chap 9 – Mechanics of Options Markets</td>
<td>10/5, 10/12</td>
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<tr>
<td>Chap 10 – Properties of Stock Options</td>
<td>10/17, 10/19(conf), 10/24,10/26</td>
</tr>
<tr>
<td>Chap 11 – Trading Strategies Involving Options</td>
<td>10/31, 11/2</td>
</tr>
<tr>
<td>Review 2</td>
<td>11/7</td>
</tr>
<tr>
<td>Test 2</td>
<td>11/9</td>
</tr>
<tr>
<td>Chap 7 – Swaps</td>
<td>11/14, 11/16, 11/21</td>
</tr>
<tr>
<td>Chap 8 - Securitization and Credit Crisis of 2007</td>
<td>11/28, 11/30</td>
</tr>
<tr>
<td>Final review</td>
<td>12/5</td>
</tr>
<tr>
<td>Final Exam</td>
<td>M 12/12: 1:45 – 4:15 PM</td>
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</tbody>
</table>

*The above schedule is tentative is subject to change in the event of circumstances beyond the instructor's control.*

10. Course Policies

1) Early evaluation and feedback

To better suit your learning style, I require that you please assist me by giving extra evaluations and feedbacks. Informal anonymous surveys (that only I can see the results) will be given in class at 1) the second week, 2) after first exam, and 3) after the second exam. And you are welcome to tell me what you think any time by coming to my office hour or by email. I will try to accommodate your constructive comments, especially on my teaching style, teaching speed, topic coverage, etc. as much as possible.

However, if you have special concerns about the class policy stated in this syllabus, please come and talk to me after class or during my office hours in the first week of class to allow us time to work out a plan to fully address your concerns. After the first week, I assume that you agree to, and will abide by, the class policy.
2) **Attendance/lateness**

Attendance is an essential part of class participation, full and prompt attendance is expected for all students. Some class activities are designed specifically for the number of students in class, so please inform me way ahead of time if you expect to miss part of a class. Attendance will be taken in various forms and will count towards part of your semester grade (please see the Student Grading Processes). However, if you miss more than three classes, your semester grade, at my discretion, will be down one letter grade (A- to B-). If you miss six classes, the grade is automatically F.

3) **Class Participation**

Participation is a part of course work designed for this class. You are required to show concentration and full participation in all class activities, including notes taking (yes, you read it right!), discussion, constructive questions and comments, trying to solve problem in class, and presentations.

Note that private discussion or chatting or giggling with your peers are discouraged and will be viewed as destructive for the learning environment. Please respect the class by not doing so.

Pop quizzes will be given frequently to ensure that 1) you have read the material before the class, and 2) you have reviewed the previously taught material. All quizzes will be reviewed but NOT graded, it also serves as a form of taking attendance. However, submission that clearly lacks effort will count as absent in class participation grade.

4) **Make-up Exams**

Make up exams will not be given. If you miss a closed-book test given in the class or if you miss the deadline of a take-home exam, or if you expect to miss the final exam, you will: 1) convince me with hard evidence that the circumstance is inevitable and out of your control, and then 2) write an essay on appointed topic and present the content in a short (20 min) oral exam to me on the topic. I will grade the essay according to its substance (not number of words, but substance) and quality and count it as your exam score. If you fail to turn in the essay in arranged time or if you fail to schedule the oral exam with me, you will receive a zero on that exam/test.

5) **HW Assignments**

HW assignments are assigned on BlackBoard and are expected to be turned in on time. For each assignment, as long as you hand in the first trial on time, you will have two more chances to make corrections according to my comments, and resubmit. Only the final corrected HW score counts. All resubmissions have to occur before the up-coming exam (midterm 1, 2, and final).

6) **Extra credit opportunities**
To earn extra credits, you can take on one project and do a presentation in class, or you can write an original essay (of no more than 5 pages single space) on a list of topics (available on BlackBoard later). Each of these opportunities requires substantial work, therefore it can earn Maximum of 3 semester points. And for the same reason, you are allowed to take on ONE ONLY. You will need to inform me the intention to do so immediately after Fall break, by Oct. 17th, and work out a plan for step-by-step deadlines along the way. That means you cannot do so at the last minute to boost your grade at the end of the semester due to lack of quality work.

You can also earn 3 points extra credit by full participation in class, which means full attendance and active participation in my judgment.

7) **Cell phones, electronic media**
   - During lectures – Please be nice to me and other students by refraining from using ANY electronic media during the class, including cell phones, tablets and so on, except for studying purpose.
   - During exams – Cell phones and electronic devise will be kept in your own bag, which will be put at the podium of the classroom.

8) **Plagiarism and Academic Integrity Certificate** is required before submitting any assignment. You must complete the online tutorial, "Plagiarism and Academic Integrity at UST," at [http://www.stthom.edu/libtraining/ustplagiarism/ustplagiarism.htm](http://www.stthom.edu/libtraining/ustplagiarism/ustplagiarism.htm) Read the tutorial carefully and answer all quiz questions. When you have received a passing quiz score (70%), you will be allowed to fill your name in to a certificate of completion. Fill in your complete name, print the certificate, and submit it by the end of semester. Keep this certificate in case instructors from other courses require it. If you do not pass the quiz questions, you will need to retake the tutorial until you do.

9) **Accommodation**
   Any student with a documented disability requiring accommodations in this course is encouraged to contact me after class or during office hours. Additionally, students will need to contact the office of Counseling Services for Students with Special Needs (Disability Services) at 713-525-3162 or 6953.

10) **Workshops**
   Students are highly recommended to take advantage of the workshops provided and paid for by Cameron School of Business. Workshops are intended to better prepare students for their future career success and are free to all CSB students. The Schedule is published on BlackBoard.
11. Student Grading Processes:

There are 3 exams, including 2 tests and a final. The two tests are closed book, and the final is non-cumulative. The lowest score among the three exams will count for 10% of total course grade, and the other two exams count for 30% each.

There will be multiple quizzes that serve as a form of class participation (See policy item (3)), together with other forms of attendance scores, will count toward 15% of total course grade. Homework assignments will count toward 15% of total course grade.

On top of the above, you can elect to conduct a project or write an essay of a topic from the list I assign in class to 3% extra credit (special procedure and deadlines apply, please see policy item 5)). If you show full participation by attending each class promptly and participating the discussion actively, you will be granted 3% extra credit to boost your course grade by one level (eg. B- to B; or B to B+).

Course grading break down:

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 exams</td>
<td>10%, 30%, 30%</td>
</tr>
<tr>
<td>Homework</td>
<td>15%</td>
</tr>
<tr>
<td>Class participation (attendance/quiz)</td>
<td>15%</td>
</tr>
<tr>
<td>Extra credit (optional)</td>
<td></td>
</tr>
<tr>
<td>Term project/essay</td>
<td>3%</td>
</tr>
<tr>
<td>Full participation award</td>
<td>3%</td>
</tr>
</tbody>
</table>

Final grade: 93-100 A
90-92 A-
87-89 B+
84-86 B
80-83 B-
70-79 C
below 70 F

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](mailto: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.
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 Crocker Center. Contact Debby Jones or Rose Signorello at 713-525-6953 or 713-525-3162.