

DERIVATIVES VALUATIONS AND APPLICATION

BUSFIN 7232

SPRING 2026 (SESSION I)

INSTRUCTOR: Prof. Pirim

OFFICE: 242 Fisher Hall

E-MAIL: pirim.1@osu.edu (Please allow 24 hours to respond)

WEB PAGE: Carmen

CLASS TIMES AND ROOMS: Mon/Wed 9:45 am – 11:15 am Gerlach Hall # 305

OFFICE HOURS: Wednesdays 2:15 pm to 3:15 pm via Zoom OR in person
Or by appointment, please email with a subject “BUSFIN 7232”

TEXTBOOK: McDonald., R., “Derivatives Markets”, 3rd Edition, Prentice Hall, Pearson.
ISBN-13: 978-0321543080 (Hardcover)

Course Description

In recent years there has been considerable growth in markets for futures and options; and there has been phenomenal growth especially on futures and options contracts on financial assets. These contracts are used for *compensation, speculation, yield enhancements of investments*, and, most importantly, for *risk management*. Since every company is exposed to some risk, there is virtually no company that does not deal with derivatives in some way. While some of you may end up in the derivatives industry, it is more likely that most of you will work for a more traditional corporation, perhaps a small business, a governmental agency, or a non-profit organization. However, these entities are all exposed to risk, so this subject is important to you all.

In this course, we will first start in valuation of derivatives products. There are large number of literatures on option valuation. While the theory might at first look advanced and difficult, it is in fact quite accessible. The purpose of this course is to give you an overview of pricing methods on option contracts. During the course we will examine different types of option contracts and how they are priced. Most of the pricing will be done in the context of the binomial option-pricing model. This is a simple but powerful approach to valuing a wide variety of derivative. Then we will talk about famous Black and Scholes formula and applications to various derivatives products. And then we will cover Option Greeks and delta-gamma hedging. Last, we will end this course with Exotic Options.

Course Objectives

By the end of this course, students should successfully be able to:

- 1) understand the pricing of option contracts;
- 2) learn how to use Binomial Option Pricing Model and Black and Scholes Formula
- 3) learn skills used in derivative contract analysis and valuation,
- 4) evaluate trading and speculation opportunities available in the current financial markets, and
- 5) assess the influence of economic events upon pricing.

Course Materials

Required Textbook

Title: "Derivatives Markets", 3rd Edition, and Prentice Hall-Pearson

Author: Robert L. McDonald

ISBN-13: 978-0321543080 (Hardcover)

Course Structure

Mode of delivery: "The mode of instruction for each class is determined by the university and is subject to change at the discretion of the university in reliance on the guidance received from the U.S. Centers for Disease Control and Prevention, the Ohio Department of Health and local health authorities. Unless altered by the university, all classes must be taught in the listed mode of instruction. Instructors are not expected to present sections in multiple teaching modes. Students who are uncomfortable taking courses in-person should consult with their advisor about distance learning options. Our class will be in-person exception to the office hours.

Office hours will be VIRTUAL or in PERSON or by appointment:

The Zoom information is listed below.

Office hours on Wednesdays 2:15 pm to 3:15 pm (ET)

Join Zoom Meeting

<https://osu.zoom.us/j/4637699590>

Meeting ID: 463 769 9590

Password: 1234

Credit hours and work expectations: This is a 3-credit-hour course. According to Ohio State policy, students should expect around an average of 3 hours per week of time spent on direct instruction (instructor content and Carmen activities) in addition to 6 hours of homework (reading and assignment preparation).

Lecture Materials

There will be lecture materials for each week. Each week, copies of these lecture materials will be available on course web site. Lecture and any other reading materials will be posted in the form of MS Word, Power Point and/or Adobe Acrobat files. It is your responsibility to print them out before/after the class. You are responsible for all material covered in class. Lecture may go beyond the scope of the textbook for certain topics. Therefore, it is important for you to attend class. You are responsible for all announcements made in class. Class lectures will sometimes involve working through problems. Thus, **you are required to bring a calculator** to every class so that you may work on problems and participate in class discussions.

Suggested End-of-Chapter Problems (Optional)

The course textbook has a set of problems at the end of each chapter. These questions are designed to help students assess their understanding of chapter topics. Some of these problems/questions will be selected from each chapter and will be posted on Carmen. Students should try to answer these problems after they finish reading a chapter to check their understanding of the topics covered.

Suggested Readings (Optional)

Wall Street Journal: www.wsj.com

Financial Times: <http://www.ft.com/home/us>

Bloomberg: www.bloomberg.com

Yahoo! Finance: <http://finance.yahoo.com/>

Freakonomics: <http://freakonomics.blogs.nytimes.com/>

Real Time Economics (WSJ): <http://blogs.wsj.com/economics/>

Calculated Risk: <http://www.calculatedriskblog.com/>

Economy and Economics of Everyday Life: <http://economix.blogs.nytimes.com>

When Genius Failed, Roger Lowenstein

The New Market Wizards, Jack D. Schwager

Too Big to Fail, Andrew Ross Sorkin

The Big Short, Michael Lewis

Young Money, Kevin Roose

Alpha Masters, Maneet Ahuja

Course Requirements and Policies:

Exams:

There will be **one comprehensive final exam**. Final Exam will be similar to the examples and problem sets used in class, and I reserve the right to make any changes appropriate for the administration and evaluation of the class. Final Exam is closed-book and closed-notes however a formula sheet will be provided for you to use during the exam. A copy of the formula sheet will be posted on the course website before the exam.

Students should have for the final exam:

1. A financial calculator
2. A valid picture ID. You will not be permitted to take an exam without presenting a **valid photo ID**.

Make-up Exams:

As a general rule, make-up exams are NOT given in this course. However, a student may be allowed to take a make-up exam, if in the opinion of the instructor, there are special or extenuating circumstances. Without permission to take a make-up exam, failure to take an exam will result in grade of zero on the exam in question. Every effort should be made (e.g. email, voicemail, message with the Finance Department Office) to notify the instructor at least 24 hours in advance. The date/time of the make-up exam will be scheduled according to the instructor's schedule by the instructor.

Under no circumstances will a student be excused from an exam

Problem Sets:

There will be total 5 problem sets. The problem sets will be posted on Carmen no later than 5:00 pm on the day indicated below in Table 1 and will be due at the beginning of class on the due day given in the Table 1. Solutions will be posted on the due dates, and no late problem sets will be accepted. If you submit a spreadsheet, please make sure to label it carefully. You can work in a group no more than three people and submit one copy per group via Carmen. Also, please remember that late assignments will not be accepted.

Case Studies:

There will be two case studies in this course. These case studies are critical learning opportunities for you. For each case you should prepare an analysis for the assigned questions and be ready for class discussion. In case reports I will grade your thought process, your capability to apply concepts and theories into these questions. The cases play an important role in applying your theoretical knowledge into real life problems. You should be prepared to invest a significant amount of time before class case discussion. You are expected to submit a summary report before the case discussions in class.

You can purchase the two cases via Harvard Business Publishing Education online course pack link below:

<https://hbsp.harvard.edu/import/1376814>

First click on the link and follow the instructions to register on the HBS site. You need to create a user name and password. After you complete the process click on the above link once more. This time login by using your user name and password. Then purchase the course pack for BUSFIN 7232- Derivatives Valuation and Application SP 2026 created by Birsel Pirim.

Two cases:

- 1) **Ito's Delight**
- 2) **Keller Fund's Option Investment Strategies**

Each case report should be submitted via carmen. E-files should be in word, pdf, and excel format. Late submissions will not be accepted. The main body of the report should be limited to four (4) double spaced pages. Exhibits, tables and calculations can be attached to the report as required. Please make sure to answer the following questions in your report.

Case 1 Ito's Delight Assignment Questions (Due Date February 9th, Monday)

- 1) How does a call option premium change as the stock price gets higher relative to the strike price?
- 2) How does a call option premium change as the time to maturity decreases?
- 3) How does a call option premium change as the volatility of the option increases?
- 4) How would your answers change to question 1, 2, and 3 for a put option?
- 5) Use the worksheet provided in the spreadsheet file to compute intrinsic value and time value for each of the options. Do those values look sensible?

Case 2: Keller Fund's Option Investment Strategies Assignment Questions (Due Date Feb 23rd, Monday)

- 1) To analyze the profit and loss possibilities inherent in the option investment strategies, please perform the following analyses for call and put options on Lotus's common stock that mature in February 1994 and that have an exercise price of \$55 per share.

a) Compute net profits and losses per share (actual *dollar* profits and losses, not rates of return) at expiration (February 19, 1994) for the following investment strategies:

- Buying a call option on Lotus's stock;
- Writing a call option on Lotus's common stock;
- Buying a put option on Lotus's common stock;
- Writing a put option on Lotus's common stock.

Hint: Start by calculating the profit or loss per share assuming that, by February 19, 1994, Lotus's common stock is selling at, say, \$60 per share. Repeat this calculation for several other possible stock prices at the time of expiration that span a wide range above, below and at the exercise price of \$55 per share (e.g., \$45, \$50, \$55, \$65, and so on).

- b) For each of the option investment strategies listed above, draw a graph relating possible profits and losses per share to Lotus's stock price at the time of expiration. Put profits and losses per share on the vertical axis of your graph and stock prices on the horizontal axis.
- c) Compute profits and losses per share and graph them against stock prices for the strategy of buying a share of Lotus's common stock at \$55 per share and holding it until February 19, 1994.

2) Study the graph created in your answer to question 1. Which of the various strategies examined offers the greatest upside return? The least upside returns? The greatest downside potential? The least downside potential? Which is likely to produce better investment returns more often? In your opinion, which strategy is the most aggressive? Which is the most conservative? In general, are investment strategies involving options risky or safe?

- 3) If you owned Lotus's stock, but were concerned about the possibility of bad news, how might you use options to protect yourself against the risk of a price decline?
- 4) Buying a share of Lotus's stock at \$55 per share while simultaneously writing (selling) a call option with an exercise price of \$55 per share is called a "covered call" (also a "buy-write") investment strategy. What is the relationship between covered call positions and selling put options? Do the quoted put and call option prices appear to be consistent with this relationship?
- 5) Suppose that on January 18, 1994, Lotus's stock was valued at \$75.00 per share instead of \$55.00. What is the very least you would expect to pay for the February 1994 call option exercisable at 55? What is the most? In general, what factors should enter into a determination of the appropriate price to pay?
- 6) Compare the prices of options on Lotus's stock and those on AT&T's. Why are options with identical exercise prices and maturity dates, and written on stocks with identical prices, selling for different prices? Do options on one of these two stocks provide investors with superior investment opportunities in comparison to the other?

Attendance and Participation:

You are strongly encouraged to participate in this class. I encourage you to ask questions and participate in discussions. This makes lecture more interesting. You are responsible for all information covered in class. If you miss class, obtain the information missed. To enhance your understanding, **you should read the assigned material beforehand**. If you do not miss more than one class then you will be eligible for a 1 bonus point towards your overall grade. As a matter of professional courtesy, I expect an email or phone message, if you are unable to attend class.

I also wanted to remind you all that The University and College expectation is that students spend two hours outside of class for every hour spent in class. Since this course meets 3 hours per week, you should expect to spend around 6 hours per week outside of class on course-related work.

Class Participation Rubric:

Class participation accounts for 10% of your grade. Your grade will be determined by the quality of your contributions to the class discussions. It is expected that your interactions will be well informed, constructive and respectful. I will call on students if needed but voluntary participation is what will be most important for your grade. For your class participation grade, you can earn up to 10 points a week, with a max of 50 points this semester. It is up to you to ask for feedback on your class contribution during the semester.

I will use the following rubric to assign your participation grades:

9-10 Points	Attends class regularly and always contributes to the discussion by thoughtful questions, building on one's ideas, expanding the class' perspective and improving the conversation, and properly challenging assumptions and assessments; shows interest in and respect for others' views; participates actively in small groups.
6-8 Points	Attends class regularly and sometimes contributes to the discussion in the above-mentioned ways
4-5 Points	Attends class regularly but rarely contributes to the discussion in the above-mentioned ways
0-3 Points	Misses classes, or attends classes regularly but never contributes to the discussion in the above-mentioned ways

Course Grading Policy:

Your final course grade will be determined by the following:

Assignment or category	Points	Percentage of total
Problem Sets (Best 4 at 25 points each)	100 points	20%
Case Report (2 reports, 50 points each)	100 points	30%
Class Participation	50 points	10%
Final Examination	100 points	40 %
Total	350 points	100%

After the total course grade has been calculated for all students, the average for the class is calculated. If the course class average is below 75%, a curve adjustment is applied. The curve adjustment equals 75% minus the course class average. If the course class average is equal or above 75%, a curve adjustment is not applied (that is curve adjustment is zero). There will be NO extra credit work available in this course.

The course grade will be converted to a letter grade for the course using the following grading scale:

Grading scale:

A	93 – 100	B+	87-89.9	C+	77-79.9	D+	67 –69.9	E	Below 60
A-	90 – 92.9	B	83-86.9	C	73-76.9	D	60 –66.9		
		B-	80-82.9	C-	70 –72.9				

I reserve the right to correct grades recorded on the course website, should she determine such entries were posted incompletely or incorrectly.

Faculty feedback and response time:

I am providing the following guidelines to give you an idea of my intended support throughout the course.

Grading and feedback:

- Problem set grades will be posted on Carmen within 7 days after the due date.
- Exam scores should be posted on Carmen

E-mail: I will generally reply e-mails within 48 hours on school days and on many weekends.

Course Website

The course website is located on Carmen. A student must be registered for the course to access the course website.

Important Resources on the Course Website:

- Course syllabus
- Supplemental course material used (or mentioned) in class
- Lecture notes (PowerPoint slides)
- Course announcements
- Problem sets and solutions
- Detailed solutions for suggested end-of-chapter problems in the course text
- Posted exam scores (privately for each student)
- Exam formulas
- **Logging in Carmen:** Be sure you are logging in to the course in Carmen each week, including weeks with holidays or weeks with minimal online course activity. (During most weeks you will probably log in many times.) If you have a situation that might cause you to miss an entire week of class, discuss it with me *as soon as possible*.

Course Technology:

Baseline technical skills necessary for this course

- Basic computer and web-browsing skills
- Navigating Carmen

Technology Support for Carmen

As instructor, my responsibility is the course content and evaluating performance. Please contact me about any concerns in these areas. However, I am generally not able to assist in matters relating to technology, connectivity or Carmen access. Such issues may be addressed directly to either Carmen Technical support or Help desk.

Hence sources of help are available from helpdesk@osu.edu (or by phone at 292-8976) and carmen@osu.edu or 614-688-HELP at any time.

Additional University Policies and Resources

You can find a list of university policies and resources at go.osu.edu/UPLicenses, but here are a few important ones.

Religious accommodations:

Ohio State has had a longstanding practice of making reasonable academic accommodations for students' religious beliefs and practices in accordance with applicable law. In 2023, Ohio State updated its practice to align with new state legislation. Under this new provision, students must be in early communication with their instructors regarding any known accommodation requests for religious beliefs and practices, providing notice of specific dates for which they request alternative accommodations within 14 days after the first instructional day of the course. Instructors in turn shall not question the sincerity of a student's religious or spiritual belief system in reviewing such requests and shall keep requests for accommodations confidential.

With sufficient notice, instructors will provide students with reasonable alternative accommodations with regard to examinations and other academic requirements with respect to students' sincerely held religious beliefs and practices by allowing up to three absences each semester for the student to attend or participate in religious activities. Examples of religious accommodations can include, but are not limited to, rescheduling an exam, altering the time of a student's presentation, allowing make-up assignments to substitute for missed class work, or flexibility in due dates or research responsibilities. If concerns arise about a requested accommodation, instructors are to consult their tenure initiating unit head for assistance.

A student's request for time off shall be provided if the student's sincerely held religious belief or practice severely affects the student's ability to take an exam or meet an academic requirement and the student has notified their instructor, in writing during the first 14 days after the course begins, of the date of each absence. Although students are required to provide notice within the first 14 days after a course begins, instructors are strongly encouraged to work with the student to provide a reasonable accommodation if a request is made outside the notice period. A student may not be penalized for an absence approved under this policy.

If students have questions or disputes related to academic accommodations, they should contact their course instructor, and then their department or college office. For questions or to report discrimination or harassment based on religion, individuals should contact the Office of Institutional Equity.

USE OF ARTIFICIAL INTELLIGENCE (AI): Unless we specifically mention otherwise (and in writing), the use of any AI-generated content in any deliverables in this course will be considered academic misconduct and will be acted on as such. Writing assignments will be turned in online and I will be using Turnitin and other applications that have AI detection algorithms. You need to complete the assignments using your own brain and your own thinking...which will lead to more of your own learning!

Disenrollment: Fisher College University Rule 3335-8-33 provides that a student may be disenrolled after the third instructional day of the quarter, the first Friday of the quarter, or the student's second-class session of the course, whichever occurs first, if the student fails to attend the scheduled course without giving prior notification to the instructor.

Academic Integrity Policy:

Academic integrity is essential to maintaining an environment that fosters excellence in teaching, research, and other educational and scholarly activities. Thus, The Ohio State University and the Committee on Academic Misconduct (COAM) expect that all students have read and understand the University's Code of Student

Conduct, and that all students will complete all academic and scholarly assignments with fairness and honesty. Students must recognize that failure to follow the rules and guidelines established in the University's Code of Student Conduct and this syllabus may constitute Academic Misconduct.

The Ohio State University's Code of Student Conduct (Section 3335-23-04) defines academic misconduct as: Any activity that tends to compromise the academic integrity of the University or subvert the educational process. Examples of academic misconduct include (but are not limited to) plagiarism, collusion (unauthorized collaboration), copying the work of another student, and possession of unauthorized materials during an examination. Ignorance of the University's Code of Student Conduct is never considered an excuse for academic misconduct, so I recommend that you review the Code of Student Conduct and, specifically, the sections dealing with academic misconduct.

If I suspect that a student has committed academic misconduct in this course, I am obligated by University Rules to report my suspicions to the Committee on Academic Misconduct. If COAM determines that you have violated the University's Code of Student Conduct (i.e., committed academic misconduct), the sanctions for the misconduct could include a failing grade in this course and suspension or dismissal from the University.

If you have any questions about the above policy or what constitutes academic misconduct in this course, please contact me. You can also review these resources:

- [Committee on Academic Misconduct](http://go.osu.edu/coam) (go.osu.edu/coam)
- [Ten Suggestions for Preserving Academic Integrity](http://go.osu.edu/ten-suggestions) (go.osu.edu/ten-suggestions)
- [Eight Cardinal Rules of Academic Integrity](http://go.osu.edu/cardinal-rules) (go.osu.edu/cardinal-rules)

Statement on Discrimination, Harassment, Sexual Misconduct and Title IX:

The Ohio State University is committed to building and maintaining a community to reflect diversity and to improve opportunities for all. All Buckeyes have the right to be free from harassment, discrimination, and sexual misconduct. Ohio State does not discriminate on the basis of age, ancestry, color, disability, ethnicity, gender, gender identity or expression, genetic information, HIV/AIDS status, military status, national origin, pregnancy (childbirth, false pregnancy, termination of pregnancy, or recovery therefrom), race, religion, sex, sexual orientation, or protected veteran status, or any other bases under the law, in its activities, academic programs, admission, and employment. Members of the university community also have the right to be free from all forms of sexual misconduct: sexual harassment, sexual assault, relationship violence, stalking, and sexual exploitation. To report harassment, discrimination, sexual misconduct, or retaliation and/or seek confidential and non-confidential resources and supportive measures, contact the Office of Institutional Equity:

1. Online reporting form at equity.osu.edu,
2. Call 614-247-5838 or TTY 614-688-8605,
3. Or email equity@osu.edu

The university is committed to stopping sexual misconduct, preventing its recurrence, eliminating any hostile environment, and remedying its discriminatory effects. All university employees have reporting responsibilities to the Office of Institutional Equity to ensure the university can take appropriate action:

- All university employees, except those exempted by legal privilege of confidentiality or expressly identified as a confidential reporter, have an obligation to report incidents of sexual assault immediately.
- The following employees have an obligation to report all other forms of sexual misconduct as soon as practicable but at most within five workdays of becoming aware of such information: 1. Any human resource professional (HRP); 2. Anyone who supervises faculty, staff, students, or volunteers; 3. Chair/director; and 4. Faculty member.

Title IX makes it clear that violence and harassment based on sex and gender are Civil Rights offenses subject to the same kinds of accountability and the same kinds of support applied to offenses against other protected categories (e.g., race). If you or someone you know has been sexually harassed or assaulted, you may find the

appropriate resources at <http://titleix.osu.edu> or by contacting the Ohio State Title IX Coordinator, Melissa Mayhan, at titleix@osu.edu or 614-247-5838

Mental Health

As a student you may experience a range of issues that can cause barriers to learning, such as strained relationships, increased anxiety, alcohol/drug problems, feeling down, difficulty concentrating and/or lack of motivation. These mental health concerns or stressful events may lead to diminished academic performance or reduce a student's ability to participate in daily activities. The Ohio State University's Student Life Counseling and Consultation Service (CCS) is here to support you. If you find yourself feeling isolated, anxious or overwhelmed, [on-demand mental health resources](#) (go.osu.edu/ccsondemand) are available. You can reach an on-call counselor when CCS is closed at [614- 292-5766](tel:614-292-5766). 24-hour emergency help is available through the [National Suicide Prevention Lifeline website](#) (suicidepreventionlifeline.org) or by calling [1-800-273-8255\(TALK\)](tel:1-800-273-8255). The [Ohio State Wellness app](#) (go.osu.edu/wellnessapp) is also a great resource.

Accommodations for Accessibility:

Health and COVID Related Accommodation Process

The university strives to maintain a healthy and accessible environment to support student learning in and out of the classroom. If you anticipate or experience academic barriers based on your disability (including mental health, chronic,-or temporary medical conditions), please let me know immediately so that we can privately discuss options. To establish reasonable accommodations, I may request that you register with Student Life Disability Services. After registration, make arrangements with me as soon as possible to discuss your accommodations so that they may be implemented in a timely fashion.

If you are isolating while waiting for a COVID-19 test result, please let me know immediately. Those testing positive for COVID-19 should refer to the [Safe and Healthy Buckeyes site](#) for resources. Beyond five days of the required COVID-19 isolation period, I may rely on Student Life Disability Services to establish further reasonable accommodations. You can connect with them at slds@osu.edu; 614-292-3307; or slds.osu.edu.

SLDS Requesting Accommodations

If you would like to request academic accommodations based on the impact of a disability qualified under the Americans with Disabilities Act and Section 504 of the Rehabilitation Act of 1973, contact your instructor privately as soon as possible to discuss your specific needs. The discussions are confidential.

To establish reasonable accommodations, I request that you register with Student Life Disability Services. After registration, make arrangements with me as soon as possible to discuss your accommodations so that they may be implemented in a timely fashion. Students registered with Student Life Disability Services should work directly with their [Assigned Access Specialist](#) to modify their accommodations or make additional COVID-based accommodation requests.

Please visit <http://ods.osu.edu> for more information.

SLDS contact information: slds@osu.edu; 614-292-3307; 098 Baker Hall, 113 W. 12th Avenue.

Assessment Timetable:

The following table shows the due dates for the problem sets in this class. The problem sets will be posted on Carmen no later than 5:00 pm on the day indicated below in Table 1. **Solutions will be posted on the due dates, and no late problem sets will be accepted.** You can work in a group no more than **three people** and submit one copy per group via Carmen on or before due date indicated in Table 1. **Also, please remember that late assignments will not be accepted.**

Table 1: Assessment Timetable

<i>Problem Set</i>	<i>Date Issued (Posted on Carmen)</i>	<i>Due Date (Until 11:59 pm)</i>
Problem Set 1	January 21 st , Wednesday	January 28 th , Wednesday
Problem Set 2	January 28 th , Wednesday	February 4 th , Wednesday
Case 1: Ito's Delight Assignment Questions included in case summary report (Due date on February 9th, Monday)		
Problem Set 3	February 4 th , Wednesday	February 11 th , Wednesday
Problem Set 4	February 11 th , Wednesday	February 18 th , Wednesday
Case 2: Keller Fund's Option Investment Strategies Assignment (Due date on February 23rd, Monday)		
Optional Problem Set 5	February 18 th , Wednesday	February 27 th , Friday
FINAL EXAM March 2nd - Monday, from 9:45am to 11:15 am at Gerlach # 305 McDonald Chapters: 9, 10, 12, 13, and 14		

Course Schedule:

The following describes the tentative class schedule. The topics covered on each proposed week may change as the session progresses, but the general order will not vary. You are strongly urged to read the appropriate chapters **BEFORE** the lecture so as to learn more during the lectures. To do well, you **must keep up with the reading and stay focused during class. It is easy to get behind** in the study of derivatives. **You should read through the chapters prior to class.** This will help your understanding of the concepts as they are discussed. Reread the material after class. The following outline is the order of study (I reserve the right to change this outline when necessary).

Table 2: Tentative Lecture Timetable

Class Date	<i>Topics, Assignments, Deadlines</i>	<i>Reading</i>
Week 1 Jan 12 th & Jan 14 th	Course Introduction and Review Syllabus Chapter 9: Parity and Other Option Relationships Assignment for this week: <ol style="list-style-type: none"> 1. Read Chapter 9 2. Review Chapter 9 slides before class 3. Read handout before class on Jan 14th 	Syllabus McDonald Ch. 9
Week 2 Jan 19 th & Jan 21 st No Class on Jan 19th Martin Luther King Day	Chapter 9: Parity and Other Option Relationships <ol style="list-style-type: none"> 1. Continue Chapter 9-lecture 2. In class exercise-Option Premium Properties 	McDonald Ch. 9
Week 3 Jan 26 th & Jan 28 th	Chapter 10 Binomial Option Pricing: Assignment for this week: <ol style="list-style-type: none"> 1. Read chapter 10 2. Review chapter 10 slides before class 3. Problem Set #1 due on Jan 28th, Wednesday 	McDonald Ch.10
Week 4 Feb 2 nd & Feb 4 th	Chapter 10 Continued and Chapter 12: The Black-Scholes Formula and Option Greeks Assignment for this week: <ol style="list-style-type: none"> 1. Read lecture notes on Binomial to Black Scholes Option Pricing 2. Read Chapter 12 and print-out slides before class 3. Prepare for Case discussion 4. Problem Set #2 due on February 4th, Wednesday 	McDonald Ch. 12

Week 5 Feb 9 th & Feb 11 th	Chapter 12: Option Greeks Assignment for this week: <ol style="list-style-type: none"> 1. Read lecture notes on Option Greeks. 2. Download slides from Carmen. 3. Case 1: Ito's Delight Discussion in class – Feb 9th, Monday 4. Problem Set #3 is due on Feb 11th, Wednesday 	McDonald Ch. 12
Week 6 Feb 16 th & Feb 18 th	Chapter 13: Market-Making and Delta- Hedging Assignment for this week: <ol style="list-style-type: none"> 1. Read chapter 13 2. Review chapter 13 slides before class 3. Problem Set # 4 is due on Feb 18th, Wednesday 	McDonald Ch.13
Week 7 Feb 23 rd & Feb 25 th	Chapter 14: Exotic Options Assignment for this week: <ol style="list-style-type: none"> 1. Read chapter 14 2. Review chapter 14 slides before class 3. Case 2: Keller Fund's Option Investment Due date Feb 23rd, Monday 4. Optional Problem Set #5 due on February 27th, Friday 	McDonald Ch.14
FINAL EXAM SCHEDULE March 2nd, 2026, Monday, 9:45 am to 11:15 am at Gerlach Hall #305 McDonald Chapters: 9, 10, 12, 13, and 14		

GOOD LUCK!