

FINA4339 OPTIONS

FINA4339 is designed to give the student a thorough understanding of the theory of options and its practical applications. The course emphasizes the use of options in risk management by firms and individuals.

Course prerequisites: Junior standing, FINA3332 and DISC3331.

A caveat: Please be sure that you have the prerequisites for the course. If you don't, you may be dropped from the course without any prior notice.

Professor Ramon Rabinovitch

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Office hours: T, TH, 2:00 - 2:30; In addition, please, feel free to call me, send me email messages or, simply come to see me any time.

Textbooks:

- 1.** Robert W. Kolb, "Understanding Options," Wiley&Sons.
We will cover CHs 1, 2, 3, 4, 5, 6 and 7.
- 2.** "Characteristics and Risks of Standardized Options," Pub. The Options Clearing Corporation. www.cboe.com and then go to PRODUCTS. Find this publication at the very bottom of the products page.
We will cover CHs I, II, III, VIII, IV, VI and X.
- 3.** I may assign several additional reading materials during the semester.

Homework assignments:

There will be weekly homework assignments. A HW assignment is official **ONLY** when it appears on my web site. HW assignments are given on Thursdays. If there is no HW on my web site by Friday evening then there is no HW for the next week.

All the HW assignments will be graded and the average score becomes part of the final score. See below.

All home work must be typed.

Late HW will not be accepted. You may fax me your HW.

I will NOT accept HW through email.

HW assignments are individual. Do not copy HW assignments. If you are caught copying a HW assignment you will get 0 for that assignment. The second time you are caught copying a HW assignment you will be dropped from the class with an "F".

Final Course grade:

$$\begin{aligned} \text{Course score} = & \\ & (.15)(\text{Average of HW scores}) \\ & + (.25)(\text{1st exam score}) \\ & + (.30)(\text{2}^{\text{nd}} \text{ exam score}) \\ & + (.30)(\text{3rd exam score}). \end{aligned}$$

Example:

1st exam score = 63;
2nd exam score = 89;
3rd exam score = 81;
HW average = 96.

$$\text{Course score} = (.15)(96) + (.25)(63) + (.30)(89) + (.30)(81) = 81.15$$

The letter grade for the course is based on my curve of the Course score. Usually, the average Course score of the entire class is a "C" and then, +es and -es are added at half standard deviations from the average.

Usually, the scale of letter grades is:

100	-	90	A	
89	-	87	A-	
86	-	77	B	(including +, , -)
76	-	67	C	(including +, , -)
66	-	55	D	(including +, , -)
54	-	0	F	

Exams:

<u>1st exam:</u>	Saturday, February 19,	in room 180;	10:00 – 12:30
<u>2nd exam:</u>	Saturday, April 2,	in room 180;	10:00 – 12:30
<u>3rd exam:</u>	Thursday, April 28,	in class.	

The exams are cumulative! I.e., every exam covers all the material of all previous exams. The material for every exam will be discussed in class before the exam. The exact pages and slide to be covered by the exam will be published on my web site. Previous exams and their solutions will be available on my web site before every exam.

The questions on all exams are similar to the HW questions. They all are essay problems with calculations and economic interpretations of the results. NO multiple choice and NO true/false questions appear on the exams.

All exams are closed book and notes. You may, however, bring to the exam a calculator and 2 regular size pages (4 sides) of notes.

You must bring to your University ID to all of the exams.

A Caveat.

The Bauer College of Business is proud of the high quality of our students and academic programs and recognizes the importance of academic honesty in maintaining our high standards. Please be aware that any violations of the University of Houston Academic Honesty Policy in this course will be taken very seriously and will invoke disciplinary procedures under the policy. All home work assignments and exams in this class are **INDIVIDUAL assignments and must be completed without assistance from others. Giving or receiving unauthorized assistance on home works or exams in this class constitute academic dishonesty under Articles 3.01(d), (f) and (g) of the Academic Honesty Policy. If you have any questions about the Policy, please consult the 2002-2003 Student Handbook or contact the Dean of Students Office (713) 743 5470.**

Teaching Assistant

Will be announced