Unit MTH317 Financial Derivative Pricing - 2

This unit concerns determining fair prices for derivative securities. It builds on the knowledge and techniques developed in the Level 2 Unit "Introduction to Investments" and the Level 3 Semester 1 Unit "Financial Derivative Pricing 1".

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Department of Mathematics

In this unit, we will develop further the knowledge and expertise gained in the Semester 1 Unit Financial Derivative Pricing 1.

In the first half of the unit, we will generalise further the Black-Scholes approach to option pricing, to enable us to deal with more complex types of options. The first half will be assessed by an examination.

In the second half of the unit, you will learn how to perform practical computations and solutions of the Black-Scholes equations. The second half will be assessed by means of coursework.

Mathematics is not a spectator sport: In addition to the lectures and handouts, you will be benefit in your studies by looking in the literature, by attempting to derive for yourself all computations and proofs seen in the lectures, and by attempting exercises both from the recommended books and from the exercise sheets that are distributed during the lectures and on the WebCT site for the unit.

Printed notes will be distributed, but most students do better when they create their own notes, perhaps in summary form.

Further information
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