



LUDWIG-
MAXIMILIANS-
UNIVERSITÄT
MÜNCHEN

FAKULTÄT FÜR BETRIEBSWIRTSCHAFT
**MUNICH SCHOOL OF
MANAGEMENT**



INSTITUT FÜR RISIKOMANAGEMENT UND VERSICHERUNG
INSTITUTE FOR RISK MANAGEMENT AND INSURANCE

Lecture (3 ECTS)
Risk Management
Summer 2015

<u>Chair or Institute:</u>	Institute for Risk Management and Insurance
<u>Lecturer:</u>	Prof. Dr. Richard Peter Email: peter@bwl.lmu.de
<u>Assistant:</u>	Sophie Roth Email: sophie.madeleine.roth@campus.lmu.de
<u>Time & Location:</u>	Tuesday, 4–6 p.m.; Geschwister-Scholl-Platz 1, B 101 Start: April 14, 2015 End: July 7, 2015
<u>Language:</u>	English
<u>Credits:</u>	3 ECTS in Module BWL VII (ABWL)
<u>Cycle:</u>	Every semester
<u>Prerequisites:</u>	The course is designed for bachelor students in their advanced studies. Basic knowledge of finance and statistics is a prerequisite. No written application is required.
<u>Literature:</u>	The main textbook for the course is Berk/DeMarzo: "Corporate Finance", 3rd ed., 2013.

Course Materials

Information about the class and course materials can be found at:

<http://www.en.inriver.bwl.uni-muenchen.de>

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Course Description & Main Objectives

This course presents and analyzes financial options, such as American options and European options. Students will learn how to value options using the binomial option pricing technique as well as the Black-Scholes option pricing formula. Risk-neutral probabilities will be introduced. This course also discusses insurance, risks related to commodity prices, exchange rates as well as interest rates, and studies how to manage/hedge such risks. The efficient portfolio choice and the Capital Asset Pricing Model will be recapped at the beginning of the course.

Exam

To take the exam, registration via the LSF-portal is necessary. The exam will take place on Friday, July 24th, 15.30 -16.30, room to be determined and announced by the ISC.

Tentative Schedule

Subject to change, the following lectures and tutorial sessions are planned:

Date	Content
April 14	Introduction and Recap 1
April 21	Introduction and Recap 2
April 28	Financial Options 1
May 5	Tutorial 1
May 12	Financial Options 2
May 19	Option Valuation 1
May 26	No lecture
June 2	Option Valuation 2
June 9	Tutorial 2
June 16	Insurance and Hedging 1
June 23	Insurance and Hedging 2
June 30	Tutorial 3
July 7	Q&A

Lectures Overview

1. Introduction and Recap
 - 1.1 Capital Markets and the Pricing of Risk
 - 1.2 Optimal Portfolio Choice and the Capital Asset Pricing Model
2. Financial Options
 - 2.1 Option Basics
 - 2.2 Option Payoffs at Expiration
 - 2.3 Put-Call Parity
 - 2.4 Factors Affecting Option Prices
 - 2.5 Exercising Options Early
 - 2.6 Options and Corporate Finance
3. Option Valuation
 - 3.1 The Binomial Option Pricing Model
 - 3.2 Risk-Neutral Probabilities
 - 3.3 The Black-Scholes Option Pricing Model
4. Insurance and Hedging
 - 4.1 Insurance
 - 4.2 Commodity Price Risk
 - 4.3 Exchange Rate Risk
 - 4.4 Interest Rate Risk