21420 - Continuous Time Finance
Spring, 2006

General Information

Time of Lectures: MTF 3:30pm - 4:20pm
Place: DH 1217
Required Text: L. T. Nielsen, Pricing and hedging of derivative securities
Instructor: Kasper Larsen
Office: WEH, Room 7209
E-Mail: kasperl@andrew.cmu.edu
Office Hours: Fridays after class in my office
Information: All information (including homeworks, solutions and grades) can be found at http://www.cmu.edu/blackboard.

Teaching Assistant

Ankur Hemant Shah
E-mail: ahshah@andrew.cmu.edu

Assignment Questions

If you have questions related to the homeworks, please use Ankur’s office hours: Wednesdays and Thursdays from 4:30pm-5:30pm in Wean Hall 6215. If you are unable to attend those, please post your questions on the designated Blackboard discussion site, this way all students have access to the same information. If you have non-public questions about the assignments (e.g. questions regarding grading), please contact Ankur through his email ahshah@andrew.cmu.edu.

Prerequisites

This course assumes that students are familiar with the material in the course Discrete Time Finance. For a complete list of prerequisites please visit http://www.math.cmu.edu/~rw1k/undergrad/crs/21420.htm
Course Description


Course Content

We will follow the outlined table of contents in the textbook, starting with chapter 1 and hopefully we will be finished with chapter 7 at the end of the semester. We may need some parts of the more theoretical appendixes as well.

Course Schedule

The schedule contains information about reading assignments, due dates for homework assignments and dates for the tests. The schedule will be updated frequently. Check the Blackboard for the latest edition.

Class Procedures

All materials will be posted on the Blackboard web site. We will devote the lecture on Mondays and the lecture on Wednesdays to cover materials whereas the lecture on Fridays will often be used to practice on exercises.

Evaluation

The components of the course will be weighted as follows in determining the course grade:

- Best two tests 50%
- Homeworks 10%
- Final 40%

All the tests will be in-class with closed book. There will be 3 tests and the test with the lowest score will be dropped; only the best 2 tests count for your final grade. All homeworks will be weighted equally and the
2 lowest grades will be dropped. As a result no homework assignments will be accepted late. The grades will be assigned according to:

- **A** [100%,90%]
- **B** (90%,80%]
- **C** (80%,70%]
- **D** (70%,60%]

**Policies**

Class attendance is expected. Make-up exams will be given for tests only in case of a documented legitimate excuse (illness, athletic event, etc.) You should contact me as soon as you know you will miss the test. Make-up for the final will only be given in exceptional circumstances, with approval of the Assistant Department Head.

Academic honesty standards will be enforced. No collaboration on in-class tests is allowed. All grades will be available online through the Blackboard system. If you believe that a score has been recorded incorrectly, you have one week from the time the assignment is returned to contact me about the problem.

**Homework**

Doing problems is essential for understanding, and there will be frequent homework assignments. See the schedule for due dates (always Mondays).

Homework will be due at the beginning of class, and access to the submitted homework will not be permitted following the start of class. Make sure to include all information.

The homework assignments will be posted at least one week in advance. Solutions to the hws will be posted on BB. The best solution handed in for each problem will be elected and scanned (anonymously). The author of each selected problem will receive a little extra credit for her/his hw. Ankur’s mailbox is located in WEH, Room 6113. You can turn in your work there in advance of the lecture if you will be unable to attend.

You are encouraged to discuss the assignments with other students. However, all the work submitted for grading must be written up individually, you should not copy from anyone else or allow anyone to copy from your work. In particular, you are expected to generate electronic documents from scratch. You should mention the names of your collaborators on the front of your
paper, or next to the problem(s) you discussed with them.

**Tests**

Some students qualify for special accommodations such as extra time on tests or special seating arrangements. If you have documentation supporting such a request, please present it as soon as possible, and certainly well before the first test. I will try to assist with reasonable requests.