Title:	Project Appraisal and Option Pricing using Binomial and Black-Scholes-Merton Model
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Abstract:	This exposition is the result of a year's study of options and financial derivatives. Derivative trading is an integral part of Indian stock market and with rise in trading volume of stock options, option price calculation has become very significant. In this context Black-Scholes pricing model is used to determine option premium. At fist I have introduced financial market and covered project appraisal. After providing brief summary of options, I have explained binomial option pricing model and then moved to Black-Scholes-Merton model of option pricing. Stochastic calculus is used to develop Black-Scholes differential equation. After this I have outlined all the Greeks present in the model and their interpretation is given to develop trading strategies in Option market. At the end I have tried to establish relevance of Black-Scholes Model in Indian stock market by comparing actual option prices with price calculated from the model. The reason for inconsistency in the result from model is outlined and future aspects of its improvement are discussed.
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