Note: Suggested readings will be updated by the Department of Commerce and uploaded on the Department's website.

From the date of implementation of labour codes, this syllabus shall be disseminated as per Industrial Relations code wherever applicable

Discipline Specific Elective Course- 6.5 (DSE-6.5): International Monetary and Financial Environment

Course title & Code	Credits	Credit distribution of the course			Eligibility criteria	Pre-requisite of the course (if any)
		Lecture	Tutorial	Practical/ Practice		
DSE 6.5 – International Monetary and Financial Environment	4	3	1	0	Pass in Class XII with Mathematics/Accountancy	NIL

Learning Objectives

The course aims to introduce learners to the international monetary and financial environment. Learners are also expected to understand the basic features of the international monetary system, foreign exchange market and exchange rate risk. In addition, the course creates awareness about international financial markets and instruments.

Learning outcomes

After completion of the course, learners will be able to:

1. Demonstrate an understanding of the international monetary system and balance of payments
2. Infer the importance of international finance in global context.
3. Analyse the factors affecting exchange rates and the inter linkages among them.
4. Summarize the evolution and spread of international financial markets and the implications of globalized finance.
5. Demonstrate how the international financial market operates and the inherent foreign exchange risk involved in it.
6. Evaluate and compare different types of international financial instruments.

SYLLABUS OF DSE – 6.5

Unit 1:International Monetary System (9 hours)
Overview of International Monetary System: evolution, Gold Standard, Bretton Woods system, the floating exchange rate regime; types of exchange rate systems; international agencies regulating and facilitating international financial flows: IMF, World Bank Group and its institutions, Bank for International Settlements,
Balance of Payments (BOP): concept, components of BOP, factors affecting BOP, BOP-equilibrium and disequilibrium.

Unit 2:Foreign Exchange Markets and Exchange Rate Determination (9 hours)
Foreign exchange markets: characteristics, functions, structure and participants; factors affecting exchange rate: relative inflation rates, relative interest rates, relative income levels, government controls, current account deficit, currency speculation and expectations, public debt, political stability and economic performance. Government intervention and influence on exchange rates.
Theories of exchange rate determination: Purchasing Power Parity; Interest Rate Parity, International Fisher effect

Unit 3:Foreign Exchange Derivatives (9 hours)
Spot market, spot rate quotations, bid-ask spreads, trading in spot markets, cross exchange rates; trading in forward markets, long and short forward positions, forwards premium and discount; arbitrage, hedging and speculation.

Unit 4:Foreign Exchange Risk Management (9 hours)
Types of foreign exchange risk: transaction exposure, translation exposure, economic exposure; hedging against foreign exchange exposure; Forwards market, Futures market and Options market; country risk analysis.

Unit 5:International Financial Markets and Instruments (9 hours)
Foreign Portfolio Investment: International bond and equity market, GDRs, ADRs, cross-listing of shares; global registered shares; international financial instruments: Foreign bonds, Eurobonds, Global Bonds, Floating rate bonds, Zero coupon Bonds; International Money Markets.

Exercises:
The learners are required to:

1. Illustrate and explain the direction of India's foreign trade and investment flows through an analysis of Balance of payments over a period of last five years.
2. Do practical questions on working of foreign exchange quotations
3. Conduct an inter-country comparison to understand the factors affecting exchange rates under different exchange rate systems
4. Explain through examples how companies use currency derivatives to minimise the risk.
5. Examine the market conditions under which companies use foreign currency instruments to raise funds

Suggested Readings:

- Cavusgil, S. T., Knight, G., & Riesenberger, J. (2007). *International business: strategy, management and the new realities.* Pearson India.
- Daniels, J. D., Radenbaugh, L. H., Sullivan, D. P., & Salwan, P. (2016). I*nternational business.* (1st ed.). London, United Kingdom: Pearson Education
- Eiteman, D. K., Stonehill, A. I., & Moffett, M. H. (2021). *Multinational business finance.* (15th ed.). Pearson.
- Krugman, P., Obestfeld, M., & Melitz, M. J. (2020). *International finance theory and policy.* (11th ed.). Pearson.
- Levi, M. D. (2009). *International finance.* (5th ed.). Taylor and Francis Ltd.
- Madura, J. (2020). *International financial management.* (14th ed.). Cengage Learning.
- Vij, M. (2010). *International financial management.* (3rd ed.). Excel Books.

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