

# GUJARAT TECHNOLOGICAL UNIVERSITY

## MASTER OF BUSINESS ADMINISTRATION

Year – 2 (Semester – IV) (W.E.F. Academic Year 2018-19)

**Specialization: Financial Management**

**Subject Name: Foreign Exchange Management (FEM)**

**Subject Code: 3549223**

### 1. Learning Outcomes:

- Analyzing the nature and functioning of foreign exchange markets, determination of exchange rates and their forecasting
- Explaining the foreign exchange risks and to identify risk management strategies
- Exploring the international sources of long term finance
- Understanding foreign exchange markets, international financial markets and their functions & needs
- Analyzing foreign exchange risks and risk management strategies

2. **Course Duration:** The course duration is of **36 sessions of 75 minutes each.**

### 3. Course Contents:

Module No:	Module Content	No. of Sessions	70 Marks (External Evaluation)
I	<b>Foreign exchange Management:</b> <ul style="list-style-type: none"><li>• Concept of Forex Management</li><li>• Scope &amp; Significance of Forex Management.</li><li>• Advantages of FOREX Trading</li></ul> <b>Interest Rates:</b> <ul style="list-style-type: none"><li>• Meaning of interest rate</li><li>• Risk free interest rate and risk free rates</li><li>• Interest rate risk and forward rates</li><li>• Interest rate swaps</li></ul>	9	17
II	<b>Currency risk.</b> <b>Currency Forward contracts:</b> <ul style="list-style-type: none"><li>• Operations, characteristics and pricing.</li></ul> <b>Currency Futures:</b> <ul style="list-style-type: none"><li>• Meaning</li></ul>	9	17

	<ul style="list-style-type: none"> <li>• Specifications on exchange traded currency futures contract</li> <li>• Pricing of currency futures</li> <li>• Hedging with currency futures</li> </ul> <p><b>Currency options.</b></p> <p><b>Currency Swaps:</b></p> <ul style="list-style-type: none"> <li>• Difference between an interest rate swap and a currency swap</li> <li>• Basic structure of currency swaps (Simple and comparative advantage)</li> <li>• Uses of currency swaps</li> </ul>		
III	<p><b>Risk Management</b></p> <ul style="list-style-type: none"> <li>• Foreign Exchange Exposure &amp; Risk: A comparison.</li> <li>• Types of exposure: Economic Exposure (Transaction Exposure, Operating Exposure) &amp; Accounting Exposure (Translation Exposure).</li> </ul> <p><b>Transaction Exposure:</b></p> <ul style="list-style-type: none"> <li>• Forward Market hedge</li> <li>• Hedging through currency futures, hedging through currency options</li> <li>• Money market hedge</li> <li>• Leads &amp; lags, cross hedging, currency diversification etc. (Theory &amp; Practical)</li> </ul> <p><b>Translation Exposure:</b></p> <ul style="list-style-type: none"> <li>• Monetary/non - monetary method</li> <li>• Temporal Method, Current rate method (Theory).</li> </ul> <p><b>Operating Exposure:</b></p> <ul style="list-style-type: none"> <li>• Product and Market Strategy, Production Strategy, Pricing Strategy, Technology (Theory).</li> </ul>	9	18
IV	<p><b>Non Resident Deposits &amp; Investments:</b></p> <ul style="list-style-type: none"> <li>• Definition of Residents and Non-Residents</li> <li>• Non-Resident Accounts</li> <li>• Residents Foreign Currency Accounts.</li> </ul> <p><b>Basics of International Taxation &amp; Transfer Pricing:</b></p> <ul style="list-style-type: none"> <li>• AS21 <ul style="list-style-type: none"> <li>○ Applicability and scope</li> </ul> </li> </ul>	9	18

	<ul style="list-style-type: none"> <li>○ Presentation of consolidated financial statements</li> <li>○ Difference between AS21 and Ind AS 110</li> <li>● Tax Neutrality and Tax equity</li> <li>● Avoidance of double taxation and concept of tax heavens</li> <li>● Concept and types of transfer pricing methods, considerations in transfer pricing.</li> </ul>		
V	<p><b>Practical:</b></p> <ul style="list-style-type: none"> <li>● Students visit currency arbitrage trading terminals and analyze the mechanism of trading in currency derivatives segment and prepare a report.</li> <li>● Students prepare a report on risk management strategies used by companies or banks for managing its foreign exchange currencies.</li> </ul>	---	(30 marks CEC)

#### 4. Teaching Methods:

The course will use the following pedagogical tools:

- Lectures
- Case Discussions and Role Playing
- Audio-visual Material (Using CDs/Clippings/ online videos)
- Assignments and Presentations

#### 5. Evaluation:

The evaluation of participants will be on continuous basis comprising of the following elements:

A	Continuous Evaluation Component comprising of Projects / Assignments / Quiz / Class Participation / Class test / Presentation on specific topic etc.	(Internal Assessment- 50 Marks)
B	Mid-Semester examination	(Internal Assessment-30 Marks)
C	End –Semester Examination	(External Assessment-70 Marks)

#### 6. Reference Books:

Sr. No.	Author	Name of the Book	Publisher	Year of Publication
1	Indian Institute of Banking and Finance	Risk Management	Macmillan	Latest
2	C Jeevanandam	Foreign Exchange & Risk Management	S Chand	Latest
3	VyputakeshSharan	International Financial Management	PHI	Latest
4	O P Agarwal	International Financial Management	Himalaya	Latest
5	Alan C. Shapiro, Peter Moles	International Financial Management	Wiley	2016

6	Institute of Company Secretaries of India	Financial Treasury and Forex Management	ICSI	Latest
7	Institute of Chartered Accountants of India	Forex and Treasury Management	ICAI	Latest

Note: Wherever the standard books are not available for the topic appropriate print and online resources, journals and books published by different authors may be prescribed.

**7. List of Journals / Periodicals / Magazines / Newspapers, etc.**

1. Business Standard
2. The Economic Times
3. Financial Express
4. Journal of Global Economics
5. Chartered Financial Analyst
6. Journal of Applied Finance
7. CFA Reader
8. Business Today
9. Business India
10. Business World
11. Finance India