



GUJARAT TECHNOLOGICAL UNIVERSITY
Program Name: Master of Business Administration
Level: PG
Branch: Financial Management
Course / Subject Code: MB03095011

Course / Subject Name: International Finance and Risk Management

w. e. f. Academic Year:	2025-26
Semester:	3
Category of the Course:	Major Subject 2

Prerequisite:	Any Graduate
Rationale:	This course aims at providing application of risk management tools and techniques used while dealing with derivatives. It includes features of relevant markets, challenges and opportunities available for traders, hedgers and speculators. The students will be able to calculate cost of hedging, trading strategies and risk-return tradeoff ratio. The students will be able to select right kind of risk management tool amongst forward, futures, options and swaps for risk hedging.

Course Outcome:

After Completion of the Course, Student will able to:

No	Course Outcomes	RBT Level
1	Interpreting foreign exchange rates	Evaluate
2	Creating risk reduction strategy using forward and future contracts.	Create
3	Solve problems using appropriate options strategy.	Create
4	Developing strategies to manage international exposure.	Create
5	Application of strategies to solve the real time problems.	Application

**Revised Bloom's Taxonomy (RBT)*

Teaching and Examination Scheme:

Teaching Scheme (in Hours)			Total Credits L+T+ (PR/2)	Assessment Pattern and Marks				Total Marks
L	T	PR	C	Theory		Tutorial / Practical		
				ESE (E)	PA / CA (M)	PA/CA (I)	ESE (V)	
3	1	0	4	70	30	50	0	150



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Course Content:

Unit No.	Content	No. of Hours	% of Weightage
1.	Markets for Foreign Exchange (Theory) Introduction to risk management: (Theory) • Types of risks • Risk management using derivatives Forward Exchange Arithmetic: (Theory) • Forward Exchange contracts, Forward Exchange rate based on Cross rates (Theory & Numerical) • Interbank deals, Execution, cancellation, Extension of Forward contract (Theory & Numerical) • International Banking & Money market (Theory) • International Bond Market, LIBOR (Theory) • International Equity Market (ADR, GDR, EURO) (Theory) • Multinational Cash Management, (Theory) SWAPS (Theory) • Meaning • Types of swaps (interest rate, currency, credit default swap, commodity swap and inflation swap)	10	17
2.	Hedging, Speculation and Arbitrage using Futures & Forwards: Futures Contract: (Theory and numerical). • Meaning & purpose of futures and forwards • Specifications of future contracts • Closing the position for futures • Cost of Carry Model (Theory and numerical). • Basis risk. Factors affecting basis risk • Single stock futures and Stock Index Futures (numerical). • Commodity futures (numerical).	12	18



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2.	Forward Contract: (Theory and numerical) • Meaning, purpose, advantages and problems • Pricing of commodity forward contracts (numerical).		
3.	Solve problems using appropriate options trading strategy Fundamentals of Options: • Options terminology • Options contract specifications • Options issued by corporations (introduction) • Moneyness in options (Theory and numerical). Options Trading Strategies: (Numerical) • Basic: Long/Short Calls and Puts • Spreads: Bull/Bear spread, Calendar Spreads • Combinations: Straddle, Strangle, Butterfly • Advanced: Condors, Calendar spreads Option Greeks (Theory)	13	17
4.	International Contract & Procedure: (Theory) • Letter of credit- Meaning & Mechanism • Types of letter of Credit • Operation of Letter of Credit Currency Derivatives: • Currency options (Theory & Numerical) • Currency futures (Theory & Numerical) • Currency forwards (Theory & Numerical) • Currency Swaps (Theory) Managing Exposure: (Theory & Numerical) • Management of Economic Exposure • Management of Transaction Exposure • Management of Translation Exposure	10	18
5.	Practical • Forming hedging strategies for equity market, currency market, and debt market using real time data from exchanges. • Track and analyze exchange rate movements for a chosen currency pair over a period (e.g.,	15	CEC (30 Marks)



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	• USD/EUR for 30 days), including factors driving fluctuations (economic indicators, geopolitical events), hedging recommendations, and implications for businesses. • Develop a short-term trading strategy using derivatives to speculate on market direction include expected payoffs, risk/reward profile, break-even points. • Letter of Credit: Process of filling LC application with banks, documentation for LC, negotiations, types, parties involved, revoking LC Students may visit any stock exchange or broking house to understand the trading mechanism of derivatives contracts.		
	Total	60	100

Suggested Specification Table with Marks (Theory):

Distribution of Theory Marks (in %)					
R Level	U Level	A Level	N Level	E Level	C Level
0	10	15	15	30	30

Where R: Remember; U: Understanding; A: Application, N: Analyze and E: Evaluate C: Create (as per Revised Bloom's Taxonomy)

Suggestive Case Studies:

- Case on Enterprise Risk Management
- Bearing Bank
- Sairam metals (From reference book number1)
- Case study on fundamental of options (From reference book number1)
- Case study on call and put options (From reference book number1)
- Case study of any big listed company and study their risk management practices

References/Suggested Learning Resources:

(a) Books:

No.	Author	Name of the Book	Publisher	Year of Publication / Edition
1	Cheol S. Eun & Bruce G. Resnick	International Financial Management	McGraw Hill	2017 / Latest



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2	Sundaram Janakiraman	Derivatives and Risk Management	Pearson Education	2014 / Latest
3	Rajiv Srivastava	Derivatives & Risk Management	Oxford University	-
4	P. G. Apte	International Financial Management	McGraw Hill	Latest

(b) List of journals/periodicals/magazines/newspapers:

1. Indian Journal of Finance
2. International Journal of Financial Markets and Derivatives
3. Business Standard
4. The Economic Times
5. Financial Express
6. NSE & BSE, SEBI, FMC, RBI Websites
7. ICAI journal of Derivative Market
8. Business Today
9. Business India
10. Business World
11. Finance India
12. Treasury Management
13. Financial Risk Management

(c) Pedagogy:

- ICT enabled Classroom teaching
- Case study
- Practical / live assignment
- Interactive class room discussions
- Visit to stock exchange/ broking house

CO- PO Mapping:

Semester 3	Course Name: International Finance and Risk Management				
	POs				
Course Outcomes	PO1	PO2	PO3	PO4	PO5
CO1	3	2	-	3	2
CO2	1	3	1	2	2
CO3	1	3	1	2	2
CO4	1	3	1	3	2
CO5	1	3	1	3	3

Legend: '3' for high, '2' for medium, '1' for low and '-' for no correlation of each CO with PO.

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