

**Course: Major Mandatory
International Finance**

Semester: II	Credits: 4	Subject Code: AMAJCECO223502	Lectures: 60
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Course Outcomes:

At the end of this course, the learner will be able to:

- CO1 - Describe and discuss the theoretical framework of International Finance and recognize the features of an International Financial system.
- CO2 - Describe the concept of balance of payments and the mechanism required to balance the same.
- CO3 - Identify and explain the theoretical and practical aspects of foreign exchange transactions and operations.
- CO4 - Examine and evaluate the movement of capital flows and working of International financial markets.
- CO5 - Analyse and debate theoretical and practical aspects of International Financing.
- CO6 - Analyse the International Financial Crisis and identify the role of IMF.

Unit 1: Balance of Payments

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- Meaning, Structure and Components of the Balance of Payments
- Balance of Payments- Identification of Disequilibrium & Causes of Disequilibrium
- Correction of Disequilibrium- Automatic & Deliberate Correction
- Working of the Foreign Trade Multiplier
- Adjustment Mechanisms of BOP-Absorption Approach and the Monetary Approach
- Policies for addressing the disequilibrium in BOP.

Unit 2: Foreign Exchange

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- Foreign Exchange Rate Movements-Depreciation, Appreciation, Devaluation and Overvaluation of Foreign Exchange Rate
- Foreign Exchange Market Transactions - Spot and Forward Market Transactions
- Exchanges, Futures, Swap Operation, Hedging, Arbitrage, Speculation
- Theories of Foreign Exchange Rate Determination- Purchasing Power Parity Theory
- Monetary and Portfolio Balance Models of Exchange Rate determination; Exchange Rate Forecasting
- Balance of Payments Theory.
- Exchange Rate Systems- Fixed and Flexible Exchange Rates-Case for and against Fixed and Flexible Exchange Rates; Types of Floating Rates-Clean Float, Dirty Float, Managed Float, filthy float, joint float, exchange rate band and snake in the




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<ul style="list-style-type: none"> • Convertibility of a currency-Current and Capital Account Convertibility – Meaning, Benefits, Pre-requisites & Problems • Relation between global Interest rates and exchange rates 	

Unit 3: International Finance and International Capital Flows	15
<ul style="list-style-type: none"> • International Finance- Meaning, Scope & Importance • Benefits of a well-developed International Financial System • Important International Financial Crisis and the role of IMF (Oil crisis, International debt crisis, South East Asian crisis, Brazil Argentina and Mexico, Russia and Eastern Europe, The sub-prime crisis) • Evaluation of Foreign Direct Investment: Trends, Direction, Sources, Forms- Horizontal and Vertical FDI; Capital Budgeting for Foreign Direct Investments • Foreign Portfolio Investment and its types • International Bond Market- Emergence of International Bond Market • Types of International Bonds -Foreign Bond, Eurobond, Sovereign Bond • Variations in Bond Features - Fixed Coupon, Floating Coupon, Zero Coupon, Convertible Bond, Dual Currency Bond 	

Unit 4: International Financing	15
<ul style="list-style-type: none"> • International Financing Decision based on interest rates, maturity, choice of market and instruments • Evaluating Borrowing Decisions –based on all-in costs, interest rate and currency exposure • Funding Avenues in Global Capital Markets-EuroCurrency Markets, EuroBond Markets; Eurocurrency Financial Instruments-EuroCPs, EuroCDs, Euroloans, Euronotes, Eurobonds.; Syndicated Loans • International Equity Financing- The Depository Receipts Mechanism-ADRs and GDRs • Project Finance- Meaning, Sources for Project Finance, Types, Guarantees and Risk Insurance 	

Recommended Text Books:
<ul style="list-style-type: none"> • Bhalla, V.K (2010): <i>International Financial Markets</i>, Anmol Pub. Pvt. Ltd, New Delhi • G.Shailaja (2011): <i>International Finance</i>, Universities Press India Pvt Ltd, Hyderabad. • Gupta, K.R.(latest edition): "<i>International Economics</i>", Atma Ram & Sons, Delhi • Krugman, Paul .R. & Obstfeld, Maurice (2009) : "<i>International Economics Theory and Policy</i>", Pearson Education Publication, New Delhi. • Levi, M.D (2009): <i>International Finance</i>, Routledge, Taylor & Francis Group, New York, Special Indian Edition • Pugel T.A (2008): "<i>International Economics</i>", Tata McGraw-Hill Pub. Co. Ltd, ND.

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- Salvatore,D.(latested): "*InternationalEconomics*",PrenticeHall,N.J.
- Salvatore, D (2004) "*Theoryand Problems ofInternationalEconomics*"Schaum's Outline Series, Tata McGraw Hill Publishing Co. Ltd., New Delhi.
- Sawyer,W.Cand Sprinkle,R.L(2003) "*International Economics*",Pearson Education
- Soderston,Bo(latestedition): "*InternationalEconomics*",TheMacmillanPressLtd., London.
- Srivastava, O.S.(latest edition), "*International Economics*", Kalyani Publishers.
- Williamson,J&Milner,C(1991): "*TheWorldEconomy-ATextbookinInternational Economics*", New York University Press, N. York
- PrakashGApte,(2017)"*InternationalFinance-ABusinessPerspective*",CFM-McGraw- Hill Professional Series In Finance – Second Edition

ReferenceBooks:

- Heller,RobertH.,NJ:*InternationalMonetaryEconomics*PrenticeHall,Englewood Cliffs
- Kindleberger,CharlesP.,D.B.*InternationalEconomics*,TaraporewalaandSons, Mumbai
- Rugel,ThomasA.*InternationalEconomics*,McGrawHill,New Delhi.
- EllsworthP.T.andClarkJ.Leith,*TheInternationalEconomy*NewYorkMacmillan Publishing Co.
- Gowda,VenkatagiriK.,*EurodollarFlowsandInternationalMonetaryStability*, Geetha Book House, Mysore.
- Verghese,S.K.,*ForeignExchangeandFinancingofForeignTrade*,VikasPublishing House, New Delhi.
- Heller,Robert,H.,*InternationalMonetaryEconomics* PrenticeHall,Cliffs.
- Salvatore,Dominick,*InternationalEconomicsMacmillan*,NewYorkPublishingCo. New York
- JalanBimal, *India'sEconomicCrisis*,OxfordUniversityPress, Oxford

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