

AC –  
Item No. –

**As Per NEP 2020**

**Tolani College of  
Commerce  
(Autonomous)**



Knowledge is Supreme

**Title of the Course: Foreign Exchange Market**

**Programme: B. Com (Financial Markets)  
Semester IV**

**Syllabus for 4 Credits**

**From the Academic Year- 2024-2025**

## Name of the Course: Foreign Exchange Market

Sr. No.	Heading	Particulars
1	<b>Description of the Course :</b>	Foreign Exchange Market course covers comprehensive introduction of basics, currency pairs, market structures, and trading essentials of Forex. Ideal for beginners seeking a solid understanding of Forex fundamentals.
2	<b>Vertical :</b>	Major
3	<b>Type :</b>	Theory
4	<b>Credit:</b>	4 credits
5	<b>Hours Allotted :</b>	60 Hours
6	<b>Marks Allotted:</b>	100 Marks Continuous Evaluation : 40 Marks Semester End : 60 Marks
7	<b>Course Objectives:</b> The objective of this course is to:	<ol style="list-style-type: none"> <li>1. understand the basics of the Forex market, including currency pairs, exchange rates, and market participants.</li> <li>2. analyze key economic data and its influence on exchange rates.</li> <li>3. explore the structure of the Forex market, including spot, forward, and futures markets.</li> <li>4. understand how interest rates, inflation, and central bank policies impact Forex</li> </ol>
8	<b>Course Outcomes:</b> After successful completion of this course a learner will be in a position to:	<ol style="list-style-type: none"> <li>1. analyse alternative currency translation methods for settlement of goods.</li> <li>2. examine the organization of the Foreign Exchange Market, the Spot Market, and the Forward market, and how the information driven in these markets can be used by small business operators in controlling and managing foreign exchange.</li> <li>3. identify operational difficulties in financing, and settling in foreign currency, and currency forecasting.</li> <li>4. identify foreign exchange risk management and the techniques available to small business operators for risk exposure containment.</li> </ol>

9	<b>Modules:-</b>
	<b>Module 1: Introduction to Foreign Exchange Markets (15 Hours)</b>
	<ul style="list-style-type: none"> <li>• Foreign exchange markets overview - Introduction – Participants – Settlement of transactions – Functions of foreign exchange markets.</li> <li>• Foreign currency accounts – VOSTRO – NOSTRO -LORO - Determination of exchange rates.</li> <li>• Foreign Exchange Management Act – Administration of foreign exchange.</li> <li>• Factors affecting exchange rates.</li> </ul>
	<b>Module 2: Foreign Exchange Arithmetic and Risk Management (15 Hours)</b>
	<ul style="list-style-type: none"> <li>• Foreign Exchange transactions, Spot - Forward, Swap transactions, Exchange quotations, Direct Quotations, Indirect Quotations.</li> <li>• Foreign exchange rates, Bases, Types of rates, Buying Rate, Selling rates, Cross rates, Spread &amp; Spread %.</li> <li>• Arbitrage - Geographical and triangular.</li> <li>• Risk Management in Foreign Exchange Market- Need and importance of foreign exchange management methods adopted (Spot and forward, arbitrage, cross currency deals, SWAPS, options and futures).</li> </ul>
	<b>Module 3: Operational aspects of foreign exchange market (15 Hours)</b>
	<ul style="list-style-type: none"> <li>• Floating Rate, Currency Boards &amp; Currency Basket Systems, Brief review on various exchange rate regime (Gold Standard System, Bretton Wood System).</li> <li>• Smithsonian Agreement) Advantages of Flexible and Fixed Exchange Rate regime, Pros and Cons of managed floating exchange rate regime.</li> <li>• Prevalence of Currency Boards Regime.</li> <li>• Practice of Currency Basket Regime.</li> </ul>
	<b>Module 4: Foreign Exchange Markets, Exchange Rate Determination &amp; Currency Derivatives (15 Hours)</b>
	<ul style="list-style-type: none"> <li>• Foreign Exchange Markets: Introduction to Foreign Exchange Markets, Types of Transactions &amp; Settlement Date, Exchange Rate Quotations &amp; Arbitrage, Forward Quotations (Annualized Forward Margin).</li> <li>• International Parity Relationships &amp; Foreign Exchange Rate: Interest Rate Parity, Purchasing Power Parity &amp; Fishers Parity.</li> <li>• Forecasting Exchange Rates (Efficient Market Approach, Performance of the Forecasters), Global Financial Markets and Interest Rates (Domestic &amp; Offshore Markets, Money Market Instruments).</li> <li>• Currency &amp; Interest Rate Futures: Introduction to Currency Options (Option on Spot, Futures &amp; Futures Style Options), Futures Contracts, Markets &amp; the Trading Process, Hedging &amp; Speculation with Interest Rate Futures, Currency Options in India.</li> </ul>

10	<b>References :</b> 1. Books on International Finance, by ICAI (Workbook) 2. Cheol. S. Eun & Bruce G. Resnick, International Finance Management, 2017. 3. Maurice D. Levi, International Finance – Special Indian Edition, 2009. 4. P G Apte, International Financial Management, 5th Edition, The McGraw Hill, 2020. 5. Tim Weithers, Foreign Exchange: A Practical guide to the FX Markets, 2011.																
11	<b>Internal Continuous Assessment: 40%</b>	<b>Semester End Examination : 60%</b>															
12	<b>Continuous Evaluation through:</b> <i>Note: Learner must be Present in all the three exam components of Continuous Evaluation</i> <table border="1" data-bbox="483 751 1237 970" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Component</th> <th>Total Marks</th> </tr> </thead> <tbody> <tr> <td>1)Assignment/Case Studies</td> <td>15 Marks</td> </tr> <tr> <td>2)Presentation/ /Project</td> <td>15 Marks</td> </tr> <tr> <td>3)Objective Questions</td> <td>10 Marks</td> </tr> <tr> <td><b>Total</b></td> <td><b>40 Marks</b></td> </tr> </tbody> </table>		Component	Total Marks	1)Assignment/Case Studies	15 Marks	2)Presentation/ /Project	15 Marks	3)Objective Questions	10 Marks	<b>Total</b>	<b>40 Marks</b>					
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13	<b>Format of Question Paper:</b>  <p style="text-align: center;"><b>Question Paper Pattern for Semester End Examination (SEE)</b>  <b>Maximum Marks: 60</b> <span style="float: right;"><b>Duration:2 Hours</b></span></p> <table border="1" data-bbox="228 1186 1494 1942" style="width: 100%;"> <thead> <tr> <th>Q. No.</th> <th>Particular</th> <th>Marks</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Q-1</td> <td><b>Attempt any TWO the following:</b> (Module 1) A. Full Length Question B. Full Length Question C. Full Length Question</td> <td style="text-align: center;"><b>15 Marks</b></td> </tr> <tr> <td style="text-align: center;">Q-2</td> <td><b>Attempt any TWO the following:</b> (Module 2) A. Full Length Question B. Full Length Question C. Full Length Question</td> <td style="text-align: center;"><b>15 Marks</b></td> </tr> <tr> <td style="text-align: center;">Q-3</td> <td><b>Attempt any TWO the following:</b> (Module 3) A. Full Length Question B. Full Length Question C. Full Length Question</td> <td style="text-align: center;"><b>15 Marks</b></td> </tr> <tr> <td style="text-align: center;">Q-4</td> <td><b>Attempt any TWO the following:</b> (Module 4) A. Full Length Question B. Full Length Question C. Full Length Question</td> <td style="text-align: center;"><b>15 Marks</b></td> </tr> </tbody> </table> <p><b>Note :</b> Two Sub-questions of 7.5 Marks each can be of 10/5 marks or one full length question of 15 Marks</p>		Q. No.	Particular	Marks	Q-1	<b>Attempt any TWO the following:</b> (Module 1) A. Full Length Question B. Full Length Question C. Full Length Question	<b>15 Marks</b>	Q-2	<b>Attempt any TWO the following:</b> (Module 2) A. Full Length Question B. Full Length Question C. Full Length Question	<b>15 Marks</b>	Q-3	<b>Attempt any TWO the following:</b> (Module 3) A. Full Length Question B. Full Length Question C. Full Length Question	<b>15 Marks</b>	Q-4	<b>Attempt any TWO the following:</b> (Module 4) A. Full Length Question B. Full Length Question C. Full Length Question	<b>15 Marks</b>
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## Signatures of Team Members

Sr.No	Name	Signature
1.	Mr. Shaji Kutty.	