

AC –Approval on 27-11-2024

Item No. –05

Approved by the BoS in Business Economics on 13-11-2024 Item No. 05

As Per NEP 2020

**Tolani College of Commerce
(Autonomous)**



Programme: Bachelor of Commerce (B.Com.)

Syllabus for 4 credit Course From the academic year 2025-2026
Title of the Course: Business Economics-V (Semester V) : Introduction to International Economics (Trade Theory, Trade Policy and International Monetary Economics)

Sr. No.	Heading	Particulars
1)	Description the course	This course offers a comprehensive exploration of international trade economics, exploring into fundamental theories, policies, and mechanisms that shape global economic interactions. Beginning with an overview of international economics, students will examine key trade theories, the dynamics of tariffs and non-tariff barriers, and the role of economic integration. The course also covers the details of balance of payments, including national income accounting, automatic and policy adjustment mechanisms, and the determinants of exchange rates within the foreign exchange market. By integrating theoretical concepts with real-world examples, this course equips students with a deep understanding of the complexities and challenges of international economic relations.
2)	Programme	B.Com.
3)	Semester	V
4)	Course/ Subject	Business Economics: PAPER V: : Introduction to International Economics (Trade Theory, Trade Policy and International Monetary Economics)
5)	A.Y.	2025-2026
6)	Vertical:	Minor
7)	Type:	Theory
8)	Credits:	04
9)	Hours Allotted:	60
10)	Marks Allotted:	Total Marks: 100 Continuous Evaluation Marks: 40 Semester End Examination Marks: 60

Course Objectives: By end of this course student should be able to-

- 1) understand the fundamental theories and concepts that underpin international trade.
- 2) examine the impact of tariff and non-tariff barriers on international trade.
- 3) understand the structure and significance of the Balance of Payments and its impact on an open economy.
- 4) explore the mechanisms of exchange rate determination and the functioning of the foreign exchange market.

Course Outcomes: Upon completion of this course students will be able to:

- 1) explain and apply the different trade theories to analyse international trade patterns.
- 2) critically evaluate the effects of tariffs on trade between nations, particularly in the context of small economies.
- 3) analyse the causes of disequilibria in the Balance of Payments and propose measures to address them.
- 4) how exchange rates are determined and assess the implications of exchange rate fluctuations on international trade.

Module I: Elements of International Trade Theory (15 hours)	
1) Overview of International Economics	<ol style="list-style-type: none"> a) Meaning and subject matter of international economics. b) Importance of international economics. c) Differences between domestic and international trade. d) The globalisation of the world economy.
2) International Trade Theories	<ol style="list-style-type: none"> a) The Theory of Comparative Cost Advantage. b) The Factor Endowments Theory. c) Economies of Scale and International Trade. d) Imperfect Competition and International Trade (Product differentiation, relationship between intra-industry and H-O models and Measuring Intra-Industry Trade).
3) Terms of Trade	<ol style="list-style-type: none"> a) Meaning and Types of Terms of Trade (Net Barter Terms, Gross Barter, Income, Single Factoral, Double Factoral, Real Cost and Utility). b) Factors influencing terms of trade. c) Terms of trade and economic development. d) The Theory of Reciprocal Demand.
Module II: Elements of International Trade Policy (15 hours)	
1) Tariff Barriers	<ol style="list-style-type: none"> a) Tariffs: Meaning and objectives. b) Classification of Tariffs (Basis of levy, objectives and country-wise discrimination). c) Effects of tariffs (Partial equilibrium effects on a small country). d) The Theory of tariff structure (nominal tariff and the effective rate of protection) and the optimum tariff.
2) Non-Tariff Barriers (NTBs)	<ol style="list-style-type: none"> a) Meaning and objectives. b) Classification of NTBs (Quantitative trade restrictions, fiscal measures and others). c) Effects of an import quota (Partial equilibrium effect). d) Quota versus Tariff.
3) Economic Integration	<ol style="list-style-type: none"> a) Meaning and objectives. b) Advantages of economic integration. c) Types of economic integration (Preferential trade agreement, free trade area, customs union, common market, economic union and economic integration). d) Attempts at economic integration: The European Union, United States-Mexico-Canada Agreement (USMCA), BRICS and The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC).
Module III: Elements of International Monetary Economics: Balance of Payments (15 hours)	
1) National Income Accounting and the Balance of Payments (BOP)	<ol style="list-style-type: none"> a) Gross domestic product and trade balance. b) The balance of payments accounts and its components. c) Deficit/surplus in the BOP. d) Disequilibrium in BOP: Causes, types of disequilibria and measures.
2) Open Economy Macroeconomics:	<ol style="list-style-type: none"> a) Automatic price adjustment mechanism (under flexible exchange rate system) b) Automatic income adjustment mechanism (The foreign repercussions effect) c) Elasticity approach to the BOP (the 'J' curve effect)

Automatic adjustment mechanism.	d) Monetary approach to BOP (under fixed and flexible exchange rates)
3) Open Economy Macroeconomics: Policy adjustment mechanism.	a) Expenditure-changing policy: Fiscal and Monetary Policy (simultaneous internal and external balance under fixed exchange rate and flexible exchange rate). b) Expenditure-switching policy: Devaluation and Revaluation (elasticity and absorption approach). c) The Assignment Problem: The Trevor Swan Model. d) The Assignment Problem (Policy Mix): The Mundell-Fleming Model.
Module IV: Elements of International Monetary Economics: Foreign Exchange Market and Exchange Rate (15 hours)	
1) Foreign Exchange Market	a) Meaning, features and functions of foreign exchange market b) Transactions in the foreign exchange market (Spot rate, forward rate, foreign exchange swap, currency swap, foreign exchange futures, options) c) Foreign exchange hedging, arbitrage and speculation d) Equilibrium in foreign exchange market
2) Exchange Rate Determination	a) Money, interest and the exchange rate. b) Price level and exchange rate in the long run: The Law of One Price and The Purchasing Power Parity Theory (Absolute and Relative versions). c) The Balance of Payments Theory and the Monetary Model of exchange rate determination. d) The Portfolio Approach or the Asset Market Approach to exchange rate determination.
3) International Monetary System and Exchange Rate Arrangements	a) Definition and criteria of classification of exchange rates (fixed, perfectly flexible, fixed but adjustable, foreign exchange rate band, crawling peg, dual exchange rates, managed floating and target zone). b) Monetary System: The Classical Gold Standard, the Inter-War Period, and the Bretton Woods System. c) The European Exchange Rate Mechanism. d) Options for International Monetary Reforms: Optimum Currency Areas, Currency Board Arrangements and Currency Union and Dollarization.

Basic References:

- 1) Moosa, I. (2011). *International finance: An analytical approach* (3rd ed.). Tata McGraw-Hill. New Delhi, India.
- 2) Pal, R. (2022). *International economics: Theory, policy and finance* (1st ed.). Himalaya Publishing House. Mumbai, India.
- 3) Salvatore, D. (2022). *International economics* (13th ed.). Wiley. New Delhi, India.

	Internal Continuous Assessment: 40%	Semester End Examination: 60%	
	Continuous Evaluation through:		
Sub-components			
1) Written assignment of 1000 words involving analysis of events related to the course taken from a newspaper, magazine, journal etc.			

2)	Book review. The book selected must be approved by the teacher. A report of 1000 words must be submitted.		
3)	MCQ Based Test		
13	Format of Question Paper: for the final examination		

Question Paper Pattern for Semester End Examination (SEE)

As approved by the BoS in Business Economics on 04-3-2025 and the Academic Council on 11-3-2025

Maximum Marks: 60

Duration: 2 hours.

Note: All questions are compulsory.

				MAX.MARKS
Q.1	a)		MODULE I	(5)
	b)			(5)
	c)			(5)
Q.2	a)		MODULE II	(5)
	b)			(5)
	c)			(5)
Q.3	a)		MODULE III	(5)
	b)			(5)
	c)			(5)
Q.4	a)		MODULE IV	(5)
	b)			(5)
	c)			(5)

Note sub-questions a, b and c can be on the following:

- i) Definitions
- ii) Short answers
- iii) Explanatory notes
- iv) Case lets and/or numerical problems requiring use of quantitative and/or qualitative methodology to find solutions.

@@@@@@@@@@@@