

## Programme: MBA Tourism & Travel Management

**MBT5003**

### **FOREIGN EXCHANGE MANAGEMENT**

Course Code	MBT5003	Semester	III/IV
Course Title	Foreign Exchange Management		
Credits	3	Type	Elective

#### **Course Description**

The course aims to provide theoretical knowledge and technical skills of foreign exchange management.

#### **Course Outcome**

By the end of the course, students are expected to be able to:

- CO1: Acquire basic knowledge about foreign exchange, rate system, and monetary systems
- CO2: Familiarise with an idea on the exchange rates and their determination and understand the fundamental theories of exchange rates
- CO3: Allows students to get practical exposure and develop employability in forex management, exchange rates, foreign trade documentation
- CO4: Analyse the foreign exchange rates arrangements and administration in India
- CO5: Thorough in foreign exchange trading infrastructure and documentation process in foreign trade

#### **Course Structure**

The following is a detailed syllabus of Foreign Exchange Management:

##### **Module I: Foreign Exchange**

Background of Exchange Rates System - International Monetary System - Gold Standard - Fixed Exchange Rates - Flexible Exchange Rates - Managed Float System - Fluctuations in Foreign Exchange Rate- Foreign Exchange Market: Cash and Spot Exchange Markets - Eurocurrency Markets - Role of Commercial Banks - Mechanics of Making Foreign Payment – SWIFT - Costs Associated with International Payments, Foreign Exchange Markets and Its Importance in Tourism Industry.

##### **Module II: Determination of Exchange Rates**

Factors Affecting Exchange Rates – International Trade – Theories of Determination of Foreign Exchange Rates – Law of One Price – Purchasing Power Parity – Interest Parity – Balance of Payment-Theory of Different Types of Exchange Rates, Merchant Rates, Restricted Operation Accounts for Tourism Agencies and Suppliers of Tourism Services.

##### **Module III: Foreign Exchange Exposure Management**

Forecasting Forex Rates – Forward Rate as a Short- Term Forecast – Technical Forecasts – Economic Model – Forecasting of Fixed Exchange Rates from Convertible Currencies - Denomination in Local Currency - Management of Foreign Exchange Reserves.

##### **Module IV: Exchange Rates Arrangement in India**

Foreign Direct Investment-FDI Theories on Macro Level, Micro level, Development Theories, OLI theory- Cost and Benefits of FDI, Strategy for FDI – Concept of FII. Indian Forex Market: Foreign Exchange Administration in India – Setting Up and Operating a Forex Dealership – Convertibility of Rupees on Current Account – Convertibility of Rupees on Capital Account – Pros and Cons – Foreign Exchange Control Objectives – Methods – Exchange Control in India – Role of FEDAI – FEMA 1997.

##### **Module V: Forex Trading: Forex Trading Infrastructure and Networks**

Forex Trading Infrastructure and Networks – Controls on Order Placing – Direct and Indirect Quotas – Cross Rates – Speculation – Exchange Arithmetic – Psychology of Forex Trader – Computerized Trading Programme –

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Information Analysis of Trading - Documents Used in Foreign Trade- Mates Receipt- Bill of Lading- Shipping Bill- Bill of Entry-Letter of Credit.

### Testing & Evaluation:

Internal Assessment (40 Marks)	External Assessment (60 Marks)
Two Class Tests – 20 Marks (10+10)	End Semester Assessment
Assignment – 10 Marks	
Presentation – 10 Marks	

### References

- Bhardwaj, H.P. (1994). Foreign Exchange Handbook, Wheeler Publishing
- Bhole, L. M. (2004). Financial Institutions and Markets- Structure, Growth and Innovation. (4 ed.). New Delhi: Tata Mc-Graw Hill.
- Clark, E.(2004). International Finance, (2 ed.). Thomson Publications.
- Gandolfo, G. (2006). International Finance and Open Economy Macro Economics, Springer International Edition.
- Air Cargo Tariff Manual.