

VSC/ SEC

**Programme Name: BMS (Bachelor of Management Studies)**

**Course Name: Foreign exchange market and Derivatives**

**Total Credits: 02**

**Total Marks :50**

**University assessment :30**

**College assessment :20**

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**Course Objectives:**

- a) To enable learners to obtain knowledge of foreign exchange markets across the globe as well as in the Indian context.
- b) To study the strategies of risk management with respect to foreign exchange.
- c) To understand about the derivative market of world and at Indian level

**Course outcome:**

CO1) Learners will analyse alternative currency translation methods for settlement of goods.

CO2) Students will examine the organization of the Foreign Exchange Market,

CO3) Learners will acquire the information about the derivative market and its operation.

CO4) Learners will identify foreign exchange risk and the techniques available to control the same.

**Module 1**

**Unit 1 Foreign Exchange Markets – an Overview**

- a) Concept, Features, Need, Participants, Functions, Structure of Forex Markets, Foreign Currency Accounts – VOSTRO, NOSTRO, LORO, Meaning and types of Foreign Exchange Risk, Role of Foreign Exchange Dealers Association of India.
- b) FERA and FEMA Regulations, Advantages - Limitations of Capital and Current Account Convertibility, Meaning - Advantages -Limitations of Fixed and Flexible Exchange Rate, Distinction between Fixed and Flexible Exchange Rate.

**Module 2**

**Unit 2 Derivatives Market**

- a) Definition of Derivatives, Features, Benefits of Derivatives, Disadvantages of Derivatives, , Introductions and significance of Index, Types of foreign Exchange Quotations, Basic Numerical Problems -Direct and Indirect quotes, Spread, Spread Percentage, Forward Rates, Cross rate
- b) Emerging Structure of Derivatives Markets in India - Types of Derivatives and Practical numerical problems on Spot, Forward, Futures, Options and Swaps,

## ***References***

- ***Donald, R.L. (2013) – Derivatives Markets, Pearson***
- ***H.P. Bhardwaj. (Edition - 2009). Foreign Exchange Management. Wheeler Publishing.***
- ***Jeevanandam-C. (2020). Foreign Exchange & Risk Management. Sultan Chand & Sons.***
- ***P.G.Apte. (2011). International Financial Management. McGraw Hill Education (India) Private Limited***
- ***S. S. S. Kumar (2007) Financial Derivative. PHI Learning Publisher***

# QUESTION PAPER PATTERN (External and Internal)

## Paper Pattern 2 Credits (Total 50 Marks)

Internal = 20 Marks  
External = 30 Marks

### Internal Paper Pattern (20 Marks)

1. Project Presentation <b>OR</b> Case Study writing	} any one	10 Marks
2. Quiz <b>OR</b> Group discussion		
3. Class Test (Mandatory) with objectives		10 Marks
Total		<hr style="width: 100px; margin-left: auto; margin-right: 0;"/> 20Marks

### External Paper Pattern (30 Marks)

Q1. Case Study Analysis	10 Marks
Q2. Answer the following (Any One)	10 marks
A	
Or	
B	
Q3. Answer the following (Any One)	10 Marks
A	
Or	
B	
Total	30 Marks