

GOKHALE INSTITUTE OF POLITICS AND ECONOMICS

Deemed to be University u/s 3 of the UGC Act, 1956

PUNE 411004

M.Sc. (INTERNATIONAL BUSINESS ECONOMICS AND FINANCE)

Course Structure and Syllabus

(Effective from Academic Year 2021-22)

(Approved by Board of Studies on 9-11-2020; Approved by Academic Council 4-12-2020)

Sr. No.	Course Code No.	Name of the course
COMPULSORY COURSES		
1	IBEF-A-01	Microeconomics
2	IBEF-A-02	Macroeconomics and Finance
3	IBEF-A-03	Trade Theory
4	IBEF-A-20	Statistics and Operations Research
5	IBEF-A-05	Accountancy and Financial Statement Analysis
6	IBEF-A-06	International Finance - I
7	IBEF-A-07	Trade Policy
8	IBEF-A-08	Basic Econometrics
9	IBEF-A-09	Export-Import Procedure and International Logistics
10	IBEF-A-11	International Finance - II
11	IBEF-A-12	Financial Econometrics
12	IBEF-A-13	Corporate Finance and Treasury Management
13	IBEF-A-14	International Trade Law
14	IBEF-A-16	The Economics of Multinational Enterprises
15	IBEF-A-18	Foreign Exchange Derivatives
16	IBEF-A-19	Business Analytics
OPTIONAL COURSES (Any four to be opted)		
1	IBEF-B-01	WTO Trade Regulations
2	IBEF-B-02	International Relations
3	IBEF-B-03	Commercial Geography
4	IBEF-B-04	International Economic Institutions
5	IBEF-B-05	International Trade in Agriculture
6	IBEF-B-06	Development Finance
7	IBEF-B-07	Taxation
8	IBEF-B-08	Public Economics
9	IBEF-B-09	Law and Economics - I
10	IBEF-B-10	Law and Economics - II
11	IBEF-B-11	Behavioural Finance
12	IBEF-B-12	Financial Economics
13	IBEF-B-13	International Marketing
14	IBEF-B-14	Linear Economics - I
15	IBEF-B-15	Linear Economics – II
16	IBEF-B-16	Mathematics for Economic Analysis
17	IBEF-B-17	Corporate Finance and Capital Budgeting
18	IBEF-B-18	Strategic Finance and Investment Banking
19	IBEF-B-19	Financial Risk Management
20	IBEF-B-20	Introduction to Game Theory

IBEF-A-01: MICROECONOMICS

Objective:

The objective of this course is to develop an understanding of the basic principles of microeconomics. It intends to improve students' analytical skills and ability to solve problems, which will be useful in several other areas of economics. By the end of this course the student is expected to be familiar with the basic concepts of microeconomics and acquire analytical skills to analyse problems of economic policy.

The course does not require any previous knowledge of microeconomics. Familiarity with calculus and optimization theory will be helpful. Relevant mathematical tools will be developed during the course as required.

Module 1: Theories of Consumer Behaviour

Traditional Approach of Utility Theory, Limitations of the Consumer Theory, Behavioral Approach, The Expected Utility Model, Utility on Lotteries, Axioms and Preferences under Uncertainty, The Expected Utility Theorem, Critiques of the Expected Utility Model

Module 2: Theory of Production and Costs

Types of Resources Used in Production, Production and Costs, Production Decisions, Analyzing Costs and Production, Alternative Theories of Firms' Behavior, Cost Functions, Marginal cost pricing, Duality between production and costs, inferior inputs

Module 3: Risk Aversion

Approximate and Compare Risk Aversion, Certainty Equivalent and Risk Premium Utility Classification according to Arrow-Pratt Index, Utility Maximising Portfolio (static approach), Maximisation of Expected Utility, Behaviour of Optimal Portfolio, The Equilibrium Price of Risk, The Intertemporal Budget Constraint, Background Risk, The Arrow-Debreu Portfolio Problem, The Demand for Contingent Claims, Measures of Risk: Domar Musgrave Index, Roy's Safety Index, Mean-Variance Index, Semi Variance Index, Baumol's Risk Measure, Minimax regret criteria, Decreasing Absolute Risk Aversion (DARA), Constant Absolute Risk Aversion (CARA), Increasing Absolute Risk Aversion (IARA), Decreasing Relative Risk Aversion (DRRA), Increasing Relative Risk Aversion (IRRA), Constant Relative Risk Aversion (CRRA) etc. and their comparative statics

Module 4: Markets and Competition, Theory of Incomplete Markets:

Review of Perfect Competition, Non-Competitive Market Structures – Monopoly, Monopsony, Non-Competitive Market Structures, Monopolistic Competition, Oligopoly models of output, decision-making, Oligopoly models of price competition, Game Theory, Global Oligopoly, Pricing Practices, Pricing of Multiple Products, Price Discrimination and Dumping, Transfer Pricing, Pricing Practice like Cost-Plus Pricing.

Markets securities and Incomplete Markets, Arrow Debru Theorem, Possible reasons for market incompleteness, Failure of standard complete markets model, Examples of incomplete markets

Module 5: Consumption and Saving

Time Separability, Exponential Discounting, The Demand for Saving, Precautionary Saving with an Endogenous Risk, Arbitrage Theory, Definition of Arbitrage, Asset Pricing through Replicating Portfolio, Asset Pricing, Fundamental Theorem of Asset Pricing, Introduction to Interest Rate Risk, Introduction to Credit Risk

Module 6: Applications of Microeconomic Principles

Economics of innovation, Bargaining, Measurement of Productivity and Efficiency, Search Theory, Health Economics, Hedonics and Non-market evaluation

BASIC READING LIST

- Ferguson, C. E. (1969), *The Neoclassical Theory of Production and Distribution*, Cambridge University Press.
- Gravelle, H. and Rees R. (2003), *Microeconomics*, 3rd Edition, Prentice Hall
- Kreps, David (1992), *A Course in Microeconomic Theory*, Eastern Economy Edition, Prentice Hall of India
- Varian, Hal R. (1992), *Microeconomic Analysis*, 3rd Edition, International Student Edition, W. W. Norton and Company
- Williamson, O. E. and Winter, Sidney G. (Eds) (1993), *The nature of the firm; origins, evolution and development*, Oxford University Press
- Jean Tirole (2014), *The Theory Industrial Organization*, Prentice Hall India, New Delhi
- Le Roy, S.F. and Werner, J. (2010). *Principles of Financial Economics*. Cambridge University Press
- Gollier, C. (2004). *The Economics of Risk and Time*. MIT Press
- Cochrane, J.H. (2005). *Asset Pricing*. Princeton University Press
- *The New Economics of Innovation, Spillovers and Agglomeration: A review of empirical studies*: Maryann P. Feldman
- *The economics of innovation: from the classical legacies to the economics of complexity*: Cristiano Antonelli
- *The origins of the economics of innovation*: M Coccla
- *The economics of legal conflicts*, J P Gould
- *Cooperative models of Bargaining*: W Thomson
- *Testing Noncooperative bargaining Theory: A preliminary study*: K Binmore, A Shaked, J Sutton
- *Bargaining and Strikes*: O Hart
- *Search Theory and duration data*: S W Salant
- *Search Theory, spatial labor markets and commuting*: J Rouwendal
- *The economics of job Search*: S A Lippman, J J McCall
- *Joint-search Theory: New Opportunities and New Frictions*: B Guler, F Guvenen, G L Violante
- *Productivity Growth, efficiency and Outsourcing in manufacturing and Services Industry*: A Heshmati
- *Competitiveness, productivity and efficiency in the agricultural and agri-food sectors*: L Latruffe
- *The measurement of Productivity in the construction Industry*: J G Lowe
- *The measurement of productive efficiency*, M J Farrell
- *The Hedonic Method*: L O Taylor
- *Hedonic Price analysis in Food Markets*: M Costanigro, J J McCluskey, J L Lusk

IBEF-A-02: MACROECONOMICS AND FINANCE

Objectives: This course has been specially designed to provide understanding of macroeconomics by focusing on the relation between financial markets, monetary economics and macroeconomics. The subject is placed in the context of Indian macro economy and financial sector, aiming to show how theoretical and empirical knowledge of macroeconomics and financial markets provides ways to analyse the salient problems faced by macroeconomic policy makers. It also aims at giving insight into the role of macroeconomic variables, indicators and policy measures in decision making by businesses and investors.

Module 1: Global and National Trends in Macroeconomic Indicators:

Contribution of Financial sector Development in Economic Growth, Financial Liberalization and Economic Development, Financial Interrelation Ratio-Flow of Funds accounting, Business Cycle Indicators Trends in macroeconomic indicators and their implications for investment decisions. Financial databases and their uses

Module 2-Macroeconomic Theory in Finance Perspective:

Theoretical Underpinnings of Macroeconomics and Finance- Modern macroeconomic thought – competing schools of macroeconomic thought-- neoclassical synthesis- macro financial linkages- contemporary macro financial theories from -Keynes, Tobin to Minsky, Bernanke, Mishkin, Shiller, Krugman

Module 3: Determinants of the Money Supply, Liquidity and Credit

Theoretical and Empirical Definitions of Money The debate relating to the definition of money Liquidity theory Gurley and Shaw Hypothesis The Reserve Bank of India's Monetary and Liquidity Aggregates--Determinants of the Money Supply-bank credit Multiplier-Determinants of credit. Central Bank and Base Money -Sources of Base Money – RBI Balance Sheet – Factors that Affect the Monetary Base – Factors that add to the Monetary Base – Foreign Exchange Rate Intervention and the Monetary Base – Factors that Subtract from the Monetary Base – The Budget Deficit and the Monetary Base -The Monetary and Fiscal Interface.

Module 4: Money Transmission Mechanics

Monetary Transmission Mechanism Channels of monetary transmission mechanism, Impediments to monetary transmission mechanism in India.

Module5: Theoretical Framework underlying the Monetary Policy formulation

Targets and Goals of Monetary Policy- Optimal Monetary Policy Role of Monetary Policy in Global Financial Crisis – Conflict among Goals- Criteria for Choosing Intermediate Targets – Criteria for Choosing Operating Targets.

Module 6: Structure, Framework and Instruments of Monetary and credit Policy in India:

Accountability and autonomy of Reserve Bank of India – Liquidity, credit and money management framework in India, Revisiting the Choice of Nominal Anchor for India's Monetary Policy, The Choice of Inflation Metric in India, Monetary Policy Targets Rules vs Discretion – The Taylor Rule – Numerical Target and Precision Operating Targets, Instruments and Liquidity Management, Policy measures to address the issues with Monetary transmission mechanism in India

Module 7: Macroeconomic Policy in Global Financial Environment:

India's Balance of payments – Implications of Current account and capital account deficits and surplus-Managing capital flows, volatility of capital flows Capital Flows, Exchange Rate Volatility and Financial Stability -Bubbles, Panics and Crashes, History of Financial Crises, Policy Responses to Financial Crises

Reading List:

- Mishkin, Frederic (2007), The Economics of Money, Banking and Financial Markets, 8th ed., Addison Wesley Longman Publishers.
- Bain, Keith & Howells, Peter (2009), Monetary Economics: Policy and Its Theoretical Basis, Palgrave.
- Friedman, Ben & Hahn, F.H. (Eds.) (1990), Handbook of Monetary Economics, Vols. 1, 2, & 3, North Holland Publishers.
- Blinder, Alan (1998), Central Banking in Theory and Practice, The MIT Press.
- Langdana, Farrokh (2009), Macroeconomic Policy: Demystifying Monetary and Fiscal Policy, 2nd Edition, Springer.

IBEF-A-03: TRADE THEORY

Objective: The course provides a deep understanding of the broad principles and theories which tend to govern the flow of trade in goods, services and capital — both short-term and long-term — at the global level. The contents of the paper lay stress on the theory and nature of the subject which will help the students to examine the impact of the trade policies followed both at the national and international levels as also their welfare implications at macro level and the distribution of gains from trade to North and South with particular reference to India. The study of the paper under the present era of globalization aims to provide insight about the likely consequences on income, employment and social standards and possible policy solutions.

Unit 1: Basis of Trade

- 1.1 Mercantilist's view
- 1.2 Adam Smith and Absolute Advantage Theory of Trade
- 1.3 Ricardo and Comparative Advantage
- 1.4 Production Possibility Curve
- 1.5 Community Indifference Curve
- 1.6 Gains From Trade
- 1.7 Offer Curve and determination of International equilibrium price

Unit 2: Heckscher Ohlin Model

- 2.1 Comparative Advantage in Heckscher Ohlin Mode
- 2.2 Definition of Factor Abundance
- 2.3 Factor Price equalization theorem
- 2.4 Factor intensity reversal
- 2.5 Leontief Paradox

Unit 3:- New Trade Theories

- 3.1 Economies of Trade & International Trade
- 3.2 Imperfect Competition & International Trade
- 3.3 External Economies and Pattern of Trade
- 3.4 Dynamic external Economies & specialization

Unit 4 Trade, Firm Structure, off shoring and Outsourcing

- 4.1 Firm Organization and Trade
- 4.2 Vertical Specialization
- 4.3 Task Trade, Offshoring and Outsourcing

Unit 5: Trade, Matching, Sorting and Heterogeneity

- 5.1 Heterogeneity and Trade
- 5.2 Firm heterogeneity, international Trade and Wages
- 5.3 Trade and inequality in developing countries

Unit 6: Economic Geography and Trade

- 6.1 Trade and Topography of the spatial Economy
- 6.2 specialization and agglomeration
- 6.3 Internal Geography, International Trade and regional specialization
- 6.4 Gravity equations

BASIC READING LIST

- Bhagwati & Srinivasan (1983), *Lectures on international trade*, The MIT Press.
- Bhagwati, Jagdish (1964), “*The Pure Theory of International Trade*”, *Economic Journal*, Vol. 74, pp. 1-78.
- Borkakoti, J. (1998), *International trade: Causes & Consequences*, MacMillan, London.
- Caves, R. E., Frankel, J. A., Jones, R. W. (1993), *World Trade and Payments*, 6th edition, Harper Collins, New York
- Chacholiades, M. (1981), *Principles of International economics*, McGraw-Hill, New York.
- Chipman, John S. (1965), “*A survey of the theory International trade: Part 1, The Classical Theory*,” *Econometrica*, Vol. 33, No. 3, July, pp. 477{519}.
- Chipman, J. S. (1965), “*A Survey of the Theory of International Trade: Part 2, The Neo-Classical Theory*,” *Econometrica*, October, Vol. 33, No. 4, pp. 685{760}.
- Chipman, J. S. (1966), “*A Survey of the Theory of International Trade: Part 3, The Modern Theory*,” *Econometrica*, Vol. 34, No. 1, January, pp. 18{76}.
- Ethier, W. J. (1995), *Modern International economics*, 3rd edition, W.W. Norton & Co.
- Heffernan & Sinclair, (1991), *Modern International economics*, Illustrated edition, Wiley-Blackwell
- Heller, H. R. (1973), *International trade: Theory and empirical evidence*, 2nd Edition, Prentice-Hall, Englewood Cliff, New Jersey.
- Krugman, P. R. & Obstfeld, Maurice, (2008), *International economics: Theory & policy*, Addison-Wesley, May.
- Makusen, J. R. & Melvin etc. (1994), *International trade: Theory and evidence, International*, Ed edition, 1 Dec, McGraw-Hill Inc, US.
- Neary, J. P. (1995), *Readings in International Trade: Volume I, Welfare and Trade Policy; Volume II, Production Structure, Trade and Growth*, International Library of Critical Writings in Economics, Edward Elgar, Cheltenham.
- Pugel & Lindert (1999), *International economics*, 11th edition, Irwin/McGraw-Hill, December 13.

IBEF-A-20: STATISTICS AND OPERATIONS RESEARCH

Objective

The objective of this course is to familiarize students with statistical theory and its application as the foundations for data analysis, as well as to acquaint them with basic and intermediate techniques from the field of operations research. Students at the end of the course should be familiar with the analysis and interpretation of data, along with hands on training in both of these fields.

Course Outline

Module 1: Testing of hypothesis: Simple versus composite hypothesis, critical region, type I and type II errors, power of a test, The Decision Rule, trinity of classical tests (Wald test, Lagrange multiplier, likelihood ratio), application of hypothesis testing with known and unknown variances, test for correlation,

Module 2: Special Distributions; Introduction, The Poisson Distribution, The Normal Distribution, The Geometric Distribution, The Negative Binomial Distribution, The Gamma Distribution, the Central Limit Theorem

Module 3: Estimation and Inference; Introduction, Estimating Parameters: The Method of Maximum Likelihood, the Method of Moments, Interval Estimation, Properties of Estimators, Minimum-Variance Estimators: The Cramér-Rao Lower Bound, Sufficient Estimators, Consistency, Bayesian Estimation.

Module 4: Bivariate Distributions; Contingency tables, joint and conditional distributions, odds ratio, test of independence, Analysis of Variance (ANOVA), analysis of covariance.

Module 5: Nonparametric Statistics; Introduction, Sign Test, Wilcoxon Tests, The Kruskal-Wallis Test, The Friedman Test, Testing for Randomness, Comparing Parametric and Nonparametric Procedures

Module 6: Introduction to OR; Basic algorithms; Linear programming (LP), Graphical and Simplex; LP Formulation and LP with solver and sensitivity analysis; Transportation and transshipment models; Simulation; Decision Analysis

Module 7: Advanced algorithms in OR; Goal Programming; Queuing Theory; Networking Models; Markov chains; Data Envelopment Analysis (DEA); Analytical Hierarchical processing (AHP)

Reading List

- Larsen, Richard J., and Morris L. Marx. (2001): An Introduction to Mathematical Statistics and its Applications. 3rd ed. Upper Saddle River, NJ: Prentice Hall.
- Lewis Margaret (2011): Applied Statistics for Economists, Routledge.
- Newbold P. (2007): Statistics for Business and Economics (6th edition or later), Prentice Hall
- Sweet, Stephen and Karen Grace- Martin (2008): Data Analysis with SPSS: A First Course in Applied Statistics, Allyn & Bacon, 3rd Edition.
- Field Andy (2013): Discovering Statistics using IBM SPSS Statistics. Fourth Edition, SAGE
- Quantitative Analysis for Managerial Decision Making By Render and Stair
- Operations Research by Hiller and Liberman
- Operations Research by Hamdy and Taha

IBEF-A-05: ACCOUNTANCY AND FINANCIAL STATEMENT ANALYSIS

Objectives: The course aims at providing basic understanding of various essential concepts of accountancy and preparation of accounting statements, introduction to accounting standards and IFRS framework of accounting.

Unit 1: Basic Principles: Financial Accounting & Accounting Standards- Accounting Equations - Users of Accounting Statements, Importance - Objectives and Principles - Accounting Concepts and Conventions - Principle of Double Entry Book Keeping, Trends in Accounting principles, GAAP, IFRS, IAS

Unit 2: The Accounting Process: Preparation of Books of Original Records: Journals - Subsidiary Book - Problems on Cash Book and Petty Cash Book - Ledgers & Trial Balance - Classification of Capital and Revenue Expenses - Final Accounts with Adjustments

Unit 3: Preparation of Final Accounts/Statement: Sole traders with Basic Adjustments - Preparation of Final Accounts / Statement of Companies (Both Horizontal & Vertical Form of Financial Statements) - Brief Introduction to Partnership Account- Accounting for small, medium and large companies

Unit 4: Statement of Changes in Funds: Funds Flow Statement - Cash Flow Statement - Problems with Basic Adjustment on FFS & CFS - Statement of Changes in Working Capital - Funds from Operations - Paid Cost and Unpaid Costs - Distinction Between Cash Profits and Book Profits - Preparation and Analysis of Cash Flow Statement and Funds Flow Statement.

Unit 5: Depreciation & Inventory Valuation: Concepts & Methods of Depreciation - Problems on Straight Line & WDV Methods - Inventory - Concepts & Methods - Problems on LIFO, FIFO & Weighted Average - Valuation of Fixed Assets- Current and Non-current assets and liabilities-- Tangible v/s Intangible assets - Depreciation of Fixed Assets and Methods of Depreciation - Inventory Valuation: Methods of Inventory Valuation and Valuation Of Goodwill - Methods of Valuation of Goodwill.

Unit 6: Analysis of Companies' Annual Reports: Provisions of the Companies Act 1956 - Provision Affecting Preparation - Presentation & Analysis of Audit Reports & Directors' Reports.

Unit 7: Financial Analysis of Financial Performance of a Firm: Different Tools - Ratio Analysis - Different Types of Ratio's - Inter-Relation Between Ratio's - Due-point Analysis - Common Size Statement of Inter Firm and Intra Firm - Internal Revenue Code-Interpretation of Financial Statements From Investor and Company Point of View - Horizontal Analysis and Vertical Analysis of Company Financial Statements - Liquidity, Leverage, Solvency and Profitability Ratios - Du Pont Chart - A Case Study on Ratio Analysis

Unit 8: Accounting of Foreign Currency Transactions: Accounting of Foreign Operations, Process and Translation Risks, Consolidation of Foreign with Domestic Financial Statements, IFRS and Accounting of International Transactions

BASIC READING LIST

- Ghosh, T.P., (2010), *Understanding IFRS*, Taxmann.
- D'Souza, Dolphy, (2009), *Indian Accounting Standards and GAAP In 2 Vol.*, Snow White Publications Pvt. Ltd.
- International Accounting Standards Board (2007), *International Financial Reporting Standards 2007 (including International Accounting Standards (IAS(tm)) and Interpretations as at 1 January 2007)*, LexisNexis, ISBN 1-4224-1813-8.
- *Case studies of IFRS implementation in Brazil, Germany, India, Jamaica, Kenya, Pakistan, South Africa and Turkey*, United Nations Intergovernmental Working Group on International Standards of Accounting and Reporting (ISAR). (Various years)
- Catty, James P. (2010), *Wiley Guide to Fair Value, Under IFRS [6]*, ISBN: 0470477083, John Wiley & Sons.

IBEF-A-06: INTERNATIONAL FINANCE - I

Objectives: The objective of the course is to provide an understanding of both the key features of foreign exchange markets and the actual problems of financial decision making within an environment of free flows of foreign capital and floating exchange rates. The course focuses on the nature of foreign exchange exposure and risk and its management arbitrage, speculation, hedging, the types of foreign exchange operations spot, forward, foreign exchange swaps, currency swaps, futures and options.

Unit 1: International Financial Markets and Instruments

- 1.1 Introduction
- 1.2 Euromarkets
- 1.3 An Overview of the Major Funding Instruments
- 1.4 An Overview of Major Markets
- 1.5 Multilateral financial Institutions
- 1.6 International Equity Markets
- 1.7 Summary

Unit 2: Sources and Instruments of International Finance

- 2.1 Short-term, medium term, long term national currency financing
- 2.2 Other Foreign Currency financing
- 2.3 National government Facilities
- 2.4 Regional and National Development Finance
- 2.5 Private Investment Companies
- 2.6 The World Bank Group

Unit 3: The Foreign Exchange Market

- 3.1 Introduction
- 3.2 Structure of the Foreign Exchange Market
- 3.3 Exchange Rate Systems, Modified liberalized exchange rate management system
- 3.4 Exchange Rate Arithmetic
- 3.5 Merchant Rates
- 3.6 Early delivery, extension and cancellation of foreign exchange contracts
- 3.7 Spot and forward exchanges
- 3.8 SWAPs and Cover operations
- 3.9 Management of Risk in Foreign Exchange Business
- 3.10 Mechanics of Currency Trading
- 3.11 Types of Transactions and Settlement Dates
- 3.12 Exchange Rate Quotation and Arbitrage
- 3.13 Pricing of Short-Date and Broken Date Contracts
- 3.14 Exchange Rate Regimes and the Foreign Exchange Market in India

Unit 4: Exchange Rate Determination and Forecasting

- 4.1 Introduction
- 4.2 Some Fundamental Equivalence Relationships
- 4.3 Theories of Exchange Rate Determination
- 4.4 Exchange Rate Forecasting
- 4.5 The Exchange Rate of the Rupee

Unit 5: Long Term Borrowing in International Financial Markets

- 5.1 Introduction
- 5.2 Costs and Risks of Long Term Foreign Borrowing
- 5.3 Syndicated Loans
- 5.4 International Bonds
- 5.5 MTNs, NIFS and Related Facilities
- 5.6 Project Finance
- 5.7 Multilateral Institutions

BASIC READING LIST

- Shapiro, Alan C. (2006) *Multinational Financial Management*, 8/e, Wiley & Sons. ISBN 0471737690.
- Eiteman, D. K., Stonehill, A. I., Moffeit, M. H. (1999) *Multinational Business Finance*, 8th Ed., Addison Wesley.
- Levi, Maurice D. (2009), *International Finance*, 5th Ed., Routledge.
- Levich, Richard M. (2001), *International Financial Markets Prices and Policies*, 2nd Ed., McGraw-Hill Irwin
- Apte, P. G., *International Financial Management*, 6th Edition, Tata Mcgraw-hill, New Delhi

IBEF-A-07: TRADE POLICY

Objectives: The objective of this course is to introduce the students to various issues concerning trade policy, through a review of trade history since 1900 to date. Students will be able to understand trade policies and the relationship between public policy and economic theory in the globalized economy. The course will discuss the various instruments of trade policy and will also analyze the impact of domestic policies on international trade. The course will also throw light on the process of multilateral and regional integration.

Unit 1: Free Trade v/s Protectionism

- 1.1 Arguments in favour of Free Trade
- 1.2 Arguments against free Trade
- 1.3 Trade policy tools – Tariffs
- 1.4 Effects of tariffs
- 1.5 Domestic distortions and tariff
- 1.6 Foreign Monopoly and Tariff
- 1.7 Effects of tariff on small country and large country
- 1.8 Optimum Tariff
- 1.9 Tariff Retaliation

Unit 2: Free Trade Area Formation and Political Economy Issues

- 2.1 Free trade area formation
- 2.2 Trade creation and trade diversion
- 2.3 Regional Trading Blocks - SAFTA, NAFTA, SAARC, etc.

Unit 3: Non-Tariff Barriers and New Protectionism

- 3.1 Import quota
- 3.2 Export subsidy, VER, Local content requirements
- 3.3 Anti-dumping
- 3.4 SPS and other TBTS to trade
- 3.5 Trade and Environment

Unit 4: Controversies in Trade Policy

- 4.1 Technology and Externalities
- 4.2 Imperfect competition and strategic trade policy
- 4.3 Innovation versus imitation, R&D subsidies

Unit 5: GATT AND WTO

- 5.1 GATT and its objectives
- 5.2 Trade issues at successive rounds of discussions
- 5.3 New issues at Uruguay Round
- 5.4 UNCTAD and evolution of worlds Trading arrangements
- 5.5 WTO and fair trade

Unit 6: Evolution of India's Commercial Policy

- 6.1 A historical perspective.
- 6.2 Objective and essential features.
- 6.3 Import substitution and export-promotion, policies and rationale changes over time.

- 7.1 Commodity composition
- 7.2 Geographical direction
- 8.1 Liberalization in trade policy - changes in foreign trade policy
- 8.2 Globalization of foreign direct investments and financial markets - Foreign Institutional Instruments
- 9.1 Balance of trade, balance of payments, analysis and changes over time

Unit 7: Export Promotion Policies

- 10.1 From state trading to export promotion.
- 10.2 Export promotion measures/ External Commercial Borrowings, Foreign Line of Credits
- 10.3 Institutional framework for export promotion.
- 10.4 Free trade zones and EOUs. Export houses. Trading houses and star trading houses. SEZs.

Unit 8: Exchange control objectives - Liberalization in exchange control

- 11.1 Exchange rate policy in India.
- 11.2 Convertibility of Rupee and Impact on Foreign Trade.
- 11.3 International Sources of Finances-External Commercial Borrowings, Foreign Line of Credits, NRI Deposits, FII, Inter-country aid, multilateral aid, FDI

Unit 9: Globalization and emerging foreign trade scenario, WTO and India, Role of IMF and its assistance, : Challenges faced by Indian Exporters

BASIC READING LIST

- Bhagwati, Jagdish. 2002. *Free Trade Today*, Princeton, Princeton University Press.
- Bhagwati, Jagdish. 2002. *In defense of Globalization*, New York, Oxford University Press.
- Broadford, Scott and Lawrence, Robert. 2004. *Has Globalization Gone Far Enough?* Washington, D. C., Institute for International Economics.
- Cline, William. 2004. *Trade Policy and Global Poverty*, Washington, D. C., Institute for International Economics.
- Feenstra, Robert. 2003. *Advanced International Trade: Theory and Evidence*, Princeton, NJ, Princeton University Press.
- Frieden, Jeffrey, Pastor Jr., Manuel and Tomz, Miichael. 2000. *Modern Political Economy and Latin America*, Boulder, CO, Westview.
- Jackson, John. 1997. *The World Trading System*, 2nd Edition, Cambridge, MA, the MIT Press.
- Krugman, Paul. 1997. *Pop Internationalism*, Cambridge, MA, the MIT Press.
- Rodrik, Dani. 1997. *Has Globalization Gone Too Far?* Washington, D. C., Institute for International Economics.
- Sampson, Gary (Ed.) 2001. *The Role of the World Trade Organization in Global Governance*, Tokyo, United National University Press.
- Srinivasan, T. N. 1998. *Developing Countries and the Multilateral Trading System*, Boulder, CO, Westview Press.
- Stiglitz, Joseph. 2002. *Globalization and Its Discontents*, New York, Norton.
- Wolf, Martin. 2004. *Why Globalization Works*, new Haven, Yale University Press.
- Krugman, P. R. & Obstfeld, Maurice, (2008), *International economics: Theory & policy*, Addison-Wesley, May.
- Daniel Bethlehem, Isabelle Van Damme, Donald McRae, and Rodney Neufeld (2012) *The Oxford Handbook of International Trade Law*
- Foreign Trade Management in India by M.L Verma.

- India's Export and Export Policies in the 1906s by D. Nayyar.
- World Development Reports (Recent years)
- Economic survey (Latest few years) Ministry of Finance, GOI.
- Annual Report (Recent years), Ministry of Commerce, GOI.
- India's Balance of Payments, 1948-49 till 1989, RBI, Bombay, 1993.
- Foreign Exchange Handbook by H.P Bharadwaj.
- Currency & Finance Reports- RBI
- Exchange Control Manual – RBI

IBEF-A-08: BASIC ECONOMETRICS

Objective: The objective of this course is to introduce basic econometric techniques that are widely used in empirical work in economics. It covers the problems faced in estimation and inference in the context of the single-equation linear regression model. The focus is on conceptual understanding and 'hands on' applications using economic data drawn from real-world examples, rather than on formal theoretical proofs alone. By the end of the course, students should be able to develop simple econometric models and interpret econometric and statistical results reported in other studies.

Unit 1: The nature of Econometrics and Economic Data

Introduction, Model Specification and applied research, the role of data in model specification, The Structure of Economic Data, Steps in Empirical Analysis, Causality and the Notation of Ceteris Paribus in Econometrics, etc.

Unit 2: The Simple Regression Model

Introduction, Definition of the Simple regression Model, Deriving the Ordinary Least Squares Estimates, Properties of OLS on Any Sample of Data, Units of Measurement and Functional Forms, Expected Values and the Variances of the OLS, Regression through the Origin and Regression on a Constant, Regression with Graphics, Outliers, Leverage and Influence, Transformation towards Linearity, Summary

Unit 3: Multiple Regression Analysis:

Estimation; Introduction, Motivation for Multiple Regression, Mechanics and Interpretation of Ordinary least Squares, The Expected Values of OLS Estimators, The Variance of the OLS Estimators, Efficiency of OLS: The Gauss-Markov Theorem, Fragility Analysis, Summary

Module 4: Multiple Regression Analysis:

Inference; Introduction, Sampling Distribution of the OLS Estimators, Testing Hypotheses about a Single Population parameter: The t Test, Confidence Intervals, Testing Hypotheses about a Single Linear Combination of the Parameters, Testing Multiple Linear Restrictions: The F Test, Relationship between F and t Statistics, The R-Squared Form of the F Statistic, Computing p-Values for F Tests, The F Statistic for Overall Significance of a Regression, Testing General Linear Restrictions; Reporting Regression Results, Summary.

Unit 5: Violation of the OLS Assumptions

Introduction, Consequences of violation of OLS assumption, GLS Estimation- Aitken's generalization of Gauss Marks Theorem, Estimation of σ^2 .

Unit 6: Multicollinearity

Introduction, perfect versus imperfect Multicollinearity, Consequences, tests for detection and remedies for Multicollinearity.

Unit 7: Serial Correlation or Autocorrelation

The problem, pure versus impure autocorrelation, consequences of applying OLS when there is autocorrelation, detecting autocorrelation- graphical method, The Runs test, The Durbin Watson test, BG test and remedies for serial correlation.

Unit 8: Heteroscedasticity

Consequences of heteroscedasticity for OLS; Heteroscedasticity-Robust inference after OLS Estimation: Computing Heteroscedasticity-Robust LM Tests; Testing for Heteroscedasticity: The White Test; Weighted Least Squares Estimation: The Heteroscedasticity is known up to a Multiplicative Constant, The Heteroscedasticity Function Must Be Estimated: Feasible GLS, What If the Assumed Heteroscedasticity Function is wrong? Prediction and Prediction Intervals with Heteroscedasticity; The Linear Probability Model Revisited.

Unit 9: Multiple Regression Analysis: OLS Asymptotics

Consistency: Deriving the Inconsistency in OLS; Asymptotic normality and Large Sample inference; Other Large Sample Tests: The Lagrange Multiplier Statistic, Asymptotic Efficiency of OLS, Summary

Note: *The students will be trained in software packages for performing econometric applications.*

BASIC READING LIST

- Griffiths, Hill and Judge, *Learning and Practicing Econometrics*, Wiley, New York.
- Judge, G.G. et al., *Introduction to the theory and Practice of econometrics*, 2nd Edition John Wiley and Sons.
- Green, William H., **Econometric** Analysis, Prentice Hall.
- Johnston and Dinardo, *Econometric Methods*, 4th Edition McGraw-Hill International Edition.
- Madala G.S., *Introduction to Econometrics*, John Wiley & Sons.
- Madala, G.S. (1986) *Limited Dependant and Qualitative Variables in Econometrics*, Cambridge University Press, Cambridge.
- Wooldridge J., *Introductory Econometrics: A Modern Approach*, South-Western College Pub.
- Baltagi, Badi H. , *Econometrics*, 5th edition, Springer
- Kennedy, Peter (2003), *A Guide to Econometrics*, 5th Edition, The MIT Press
- Studenmund, A.H., *Using Econometrics: A Practical Guide*, Addison Wesley Publishing Company. Boston,
- Gujarati, Damodar, **Basic Econometrics**, 4th Edition, Tata McGraw Hill Publishing Company, New Delhi
- Mood, Alexander M, Graybill, Franklin A. and Duane C. Boes, (1974), *Introduction to the Theory of Statistics*, McGraw-Hill.
- Goldberger, S., *Introductory Econometrics*, Harvard University Press.
- Koutsoyiannis, A., *Theory of Econometrics*, St Martin's Press.
- Krishna, K. L., *Econometric Application in India*, Oxford University Press, Delhi.
- Larsen, Richard J. & Marx, Morris L, *An Introduction to Mathematical Statistics and its Application*, 4th edition, Prentice Hall.
- Lewis-Beck, Michael S. , *Regression Analysis (Hand Book of Quantitative Application for social Science Volume 2*, SAGE Publications Inc., 1:68
- Pindyck & Rubinfeld, *Econometrics Models & Economic Forecast*, 4th edition, McGraw-Hill/Irwin

IBEF-A-09: EXPORT-IMPORT PROCEDURE & INTERNATIONAL LOGISTICS

Objectives: The objective is to give detailed understanding of the actual procedures of export and import starting from registration, duties, payment mechanism, documentation and marketing.

Unit 1: Export Procedures

- 1.1 Preparation for exports: Registration of firms with authorities, PAN No., IE code, BIN No., EPC, Central Excise etc.
- 1.2 Category of exports: Direct, indirect, third party exports.
- 1.3 Category of exporters: Manufacturer exporter, merchant exporter, EOU/ SEZ/ Biotech Parks/ Export Houses 5 categories, Trading Houses, Super Trading, Star Trading Houses. Soft Ware Tech Parks India.
- 1.4 Export benefits: Duty drawback, advance authorization scheme, duty free import authorization, duty exemption entitlement scheme, export promotion capital goods (EPCG), duty entitlement pass book scheme, market development assistance, focus product, focus mktg, market access initiative, excise clearance under rule 18 and 19.
- 1.5 GSP and GSTP rules as per the FT policy, complete documentation and procedures for export clearance, conditions in a letter of credit for stipulated documents legalization shipping cos certificates, types of bill of ladings.

Unit 2: Import Procedures

- 2.1 Import management, procurement planning, and project imports regn.
- 2.2 Identification, selection of suppliers.
- 2.3 Purchase contract, terms of payments.
- 2.4 Terms of Delivery Inco terms.
- 2.5 Import policy ITC HS.
- 2.6 Role of a customs house agent and freight forward agents.
- 2.7 Type of customs duties, valuation rules.
- 2.8 Complete documentation and procedures for import clearance at sea port.
- 2.9 Customs clearance of imports by sea and air documents, procedures, etc.
- 2.10 Imports under various imports notification issued by customs.

Unit 3: International Logistics: definition and importance.

Unit 4: Different modes of transport used in International Trade.

Unit 5: Types of cargo, packing requirements and selection of vsl of shipments.

Unit 6: Types of vessels for Exports.

Unit 7: Types of shipping services: liner and tramp services, importance and comparison.

Unit 8: Different Inco terms- terms of delivery.

Unit 9: Types of bills of ladings, air way bills and transport docs.

Unit 10: Types of containers- containerization.

Unit 11: Air freight, sea freight calculation basis, surcharges on freight charges.

Unit 12: Intermediaries role of freight forwarder and NVOCC and importance.

Unit 13: Carriers liability.

Unit 14: International commercial documents.

Unit 15: Multi modal Transport

BASIC READING LIST

- Foreign Trade Policy Volume I & II.
- Handbook of Procedures Volume I – II – III SION-DEPT Schedule.
- How to Export by Nabhi Publication.
- How to Import by Nabhi Publication.
- International Logistics by Pierre David, Biztantra Publications New Delhi.

IBEF-A-11: INTERNATIONAL FINANCE - II

Objectives: The objective of the course is to provide an understanding of International monetary scenario, Foreign Exchange Management Act (FEMA), Methods of International Trade settlement. The course aims to introduce and make the student understand about export-import finance, custom practices of documentary credits. etc.

Unit 1: International Monetary Scenario

- 1.1 Bretton Woods –Role of I.M.F and WorldIBank---
- 1.2 Fall of Fixed Exchange Rate, Era of flexible Exchange Rate,
- 1.3 Economic and Monetary Union, Maastricht Treaty,
- 1.4 Birth of Euro, Post Maastricht developments.

Unit 2: Meaning of the term Foreign Currency as per section 2M and 2N of FEMA

- 2.1 Settlement of cross border trade transaction thru Nostro and Vostro Accounts---
- 2.2 Forex Market—definition-why market exists—Types of transaction –Spot and Forward Market.
- 2.3 Participants in forex Market and role played by Arbitrageurs, speculators, and Hedgers— Statutory basis of forex transactions-
- 2.4 Exchange Control in India---Business transacted by Authorised Dealers ---
- 2.5 Meaning of the term Export and Import as per FEMA --Management of foreign exchange with special reference of India. India’s forex scenario. BOP crisis of 1990, LERMS, convertibility.—offshore currency market and growth

Unit3: Finance function: Financial institutions in international trade.

- 3.1 Nonresident accounts: Repatriable and non repatriable, significance for the economy and bank, foreign currency demand loan.

Unit 4: Balance of Payment accounts

- 4.1 Credits and Debits in B.O.P
- 4.2 Current and capital Account----financing of current account by capital account---Sample entries in B.O.P
- 4.3 Assembling— Balance of Payment Summary statement- concept of basic balance and overall balance or official reserve transaction balance.
- 4.4 Forex Market and Balance of payment

Unit 5: Methods of IN Trade settlement:--Meaning of trade settlement

- 5.1 Open account, clean advances, documentary credit, and documentary Collection and consignment trading
- 5.2 International trade Gurantees---External Commercial Borrowings, Buyers Credit, suppliers Credit

Unit 6: Import finance

Documentary credit (letter of credit):definition as per UCPDC Types of LC—sight –usance – revocable and irrevocable---red and green clause LC---Backto back and transferable---standby letter of Credit – parties, mechanism with illustration-Documents involved in international trade: Statutory documents, financial documents, transport documents, risk bearing documents and Scrutiny of documents under L.C., trade and exchange control formalities, sanction of LC limit.

Unit 7: Export finance: Introduction to Export Finance

- 7.1 Pre and Post shipment stages of Export Finance, Guidelines on sanctioning export Credit
- 7.2 Rupee and foreign currency Export Credit, Deemed Exports, Software Exports-International Factoring-forfeiting-An Export finance option. ECGC and other formalities
- 7.3 EXIM Bank

Unit8: Management Control of Foreign Operations

- 8.1 Establishing managerial accountability for key decisions
- 8.2 Communicating objectives and operating results within a multinational organization
- 8.3 Appraising foreign results

Unit 9: Uniform customs practices of documentary credits

- 9.1 2007 revision, ICC Paris publication-600: Clauses 1 to 39 with case studies/illustration. UCP-Version1.1, ISBP-681, DOCDEX rules., URR-725,
- 9.2 INCOTERMS
- 9.3 Uniform rules collection – 97 revision clauses 1 to 22 with case Studies/illustration.

BASIC READING LIST

- Apte, P. G., International Financial Management, 6th Edition, Tata Mcgraw-hill, New Delhi
- Bharadwaj H P., (2000). Foreign Exchange Handbook, Wheeler Publishing
- Thummuluti Siddahiah, (2011), International Financial Management, Pearson
- Rawade, A. V. and Desai H. G., (2014) Foreign Exchange International Finance & Risk Management

IBEF-A-12: FINANCIAL ECONOMETRICS

Objectives: The course intends to familiarize students with the principal techniques in Financial Econometrics. The basic econometric techniques for finance like regression analysis, time series analysis, Co integration & error correction methods are covered. It should provide an understanding of the use of these techniques in financial economics.

Unit 1: Financial Econometrics: Scope and Methods

The Data Generating Process – Financial Econometrics at Work – Time Horizon of Models – The Behavior of Financial Variables – Distributions of Returns – Multivariate Returns – Empirical Properties of Returns.

Unit 2: Modeling Univariate Time Series

Stationarity – Correlation and Autocorrelation Function – Autoregressive Models – Properties of AR Models – Identifying AR Models in Practice – Goodness of Fit – Forecasting – Moving-Average Models – Properties of MA Models – Identifying MA Order – Estimation – Forecasting Using MA Models – ARMA Models – Properties of ARMA (1,1) Models – General ARMA Models – Identifying ARMA Models – Forecasting Using an ARMA Model.

Unit 3: Testing for Trends and Unit Roots

Unit Root Processes, Testing for Unit Roots- Dickey Fuller Test, Augmented Dickey Fuller Test, Phillips- Perron Test, KPSS Test, Structural Change, Problems in Testing for Unit Roots

Unit 4: Time-varying Volatility Models

Characteristics of Volatility, Stylized Facts, The ARCH Model- Properties and Weaknesses of ARCH Models, The GARCH Model- Extensions to the basic GARCH model, Asymmetric GARCH models, Estimation of the GARCH Models, Stationary ARMA-GARCH Models, Lagrange Multiplier Test, Multivariate GARCH Formulations.

Unit 5: Multivariate Time Series Analysis

Weak Stationarity and Cross-Correlation Matrices, Cross-Correlation Matrices, Vector Autoregressive Models- Reduced and Structural Forms, Estimation and Forecasting with VAR Models, Impulse responses and variance decompositions, Vector Moving-Average Models, Vector ARMA Models.

Unit 6: Co integration and Error Correction Models

Linear Combinations of Integrated Variables, Co-integration and Common Trends, Co integration and Error Correction, Testing for Co integration- Engle- Granger methodology, Johansen Test

Unit 7: The Evaluation and use of Foreign Exchange Rate Forecasting Services

Introduction, Construction of the Portfolio, Different approaches to the evaluation of forecasting services, the portfolio, Composite forecast approach.

Unit 8: High-Frequency Data Analysis and Market Microstructure

Modelling High Frequency Data – Data Sources and Filtering – Modelling the Time between Trades – Intraday Volatility and Forecasting Volatility – Bid–Ask Spread – Empirical Characteristics of Transactions Data – Models for Price Changes – Duration Models.

Unit 9: Introduction to Panel Data Analysis: Fixed Effect Vs Random Effect Model- Dynamic Panel data analysis.

Note: *The students will be trained in software packages for performing econometric applications.*

Suggested Readings:

- Baltagi, B.H. (2008), *Econometric Analysis of Panel Data*, 4th Edition, Wiley
- Brooks, Christopher (2002), *Introductory Econometrics for Finance*, Cambridge University Press.
- Campbell, Lo and Mackinlay (1997), *The Econometrics of Financial Markets*, Princeton University Press.
- Gourieroux, Christian and Jasiak, Joann (2001), *Financial Econometrics*, Princeton University Press.
- Gujarati, Damodar and Porter, Dawn (2009), *Essentials of Econometrics* 4th Ed., McGraw-Hill/Irwin.
- Hamilton James (1994), *Time Series Analysis*, Princeton.
- Dougherty, Christopher (2007), *Introduction to Econometrics*, 3rd Ed., Oxford University Press.
- Studenmund, A. H. (2010), *Using Econometrics: A Practical Guide*, 6th Ed., Addison-Wesley.
- Tsay, Ruey S. (2002): *Analysis of Financial Time Series*, Wiley Series in Probability and Statistics.

IBEF-A-13: CORPORATE FINANCE & TREASURY MANAGEMENT

Objectives: The course aims at providing understanding of capital budgeting techniques, the advantages of using Net Present Value versus Internal Rate of Return to calculate the value of financing decisions or projects, when and how to use payback periods and risk analysis to rank financing decisions, identify the formulae for calculating cash flows resulting from investments and their use to determine the profitability of a financing decision or project for a business. It also aims to make the students understand scope and functions of treasury management.

Unit 1: Introduction: Finance Manager's Role – Separation of Ownership and Management Objectives of the Firm and Corporate Governance – Financial Statements and Cash Flow – Financial Statements Analysis and Long-Term Planning

Unit 2: Working Capital Management: Working Capital Components – Leverage – Cash management – Receivables Management – Inventory Management – Financing Current Assets – Regulation of Bank Finance.

Unit 3: Capital Budgeting: Measures of Investment - Choice Investment and Financing Decisions – Time Value of Money – Net Present Value – Internal Rate of Return – Discounted Payback Period – Cost of Capital – Selection of Criteria Risk, Return and Opportunity Cost of Capital Valuation of Bonds and Common Stock Scenario Testing and Sensitivity Analysis Strategy V Investments – Practical Problems in Budgeting – Agency, Compensation and Performance Measure.

Unit 4: Patterns of Financing: Internal Funds – Common Stock – Debt – Financial Markets/Institutions – Issue of securities – Venture Capital – Initial Public Offering – Security Sales and Auctions – Private Placements and Public Issue Junk Bonds.

Unit 5: Capital Structure & Financing of Long Term Capital: Planning Capital Structure – Capital Structure Choice Extended Probabilistic Analysis – Dividend Payout Policies – Share Valuation – Sources of Long Term Capital – Debt Securities – Debt Policy and Leverage Risk Management.

Unit 6: Use of Derivatives and Corporate Finance: Options and Corporate Finance – Options and Corporate Finance: Extensions and Applications – Warrants and Convertibles – Derivatives and Hedging Risk.

Unit 7: Definition and traditional role of Treasury in bank - Modern Function of Treasury - Sources of Profits of Treasury

Unit 8: Treasury Operations - Global scenario - Scope and Functions of Treasury Management - Objectives of the Treasury - Organizational Structure

Unit 9: Integrated Treasury - Cost Centre and Profit Centre - Nature and Structure of Integrated Treasury

Unit 10: Risk Analysis and Control - Risk Profile of Treasury Activities viz. - Financial and Operational Risk - Market to Market Value at Risk (VAR) - Open Positions and Open Position Limits

**Unit 11: Bond Dynamics - Role of Information Technology in Treasury Management Accounting
Valuation of Elimination of Exposures**

BASIC READING LIST

- Ross, Stephen, Westerfield, Randolph, Jaffe, Jaffrey (February 2002), Corporate Finance, 6th Ed., McGraw-Hill Companies.
- Copeland, T., Weston, F., and Shastri, K. (2004), Financial Theory and Corporate Policy, 4th Ed., New York: Addison-Wesley.
- Avadhani, V. A. (2010), Treasury Management in India, Himalaya Publishing House
- Kulkarni P. V., Financial Management, Himalaya Publishing House
- HarbansLalVerma, Management of Working Capital, Deep & Deep Publications

IBEF-A-14: INTERNATIONAL TRADE LAW

The objective of the course is advancing legal knowledge in the field of international trade law and transnational contract law and related provisions of public and private International law.

To introduce the students to :

The institutions featuring in world trade viz., The UN, The WTO and the International Chamber of Commerce (ICC);

The fundamental concepts of Intellectual property Rights and Information Technology Laws; and The Laws and Conventions pertaining to Customs, Foreign Exchange, Carriage of Goods and International Sale of Goods.

Unit 1: Introduction to International Trade Law:

International Law: Public versus Private.

Distinction between International Trade Law and International Economic Law

- 1.1 Contract Laws (foundation law of all trade legislations): An analogical study of Indian and Western / Anglican laws pertaining to contracts; case –law study.
- 1.2 UNIDROIT principles of international commercial contracts, 2004
- 1.2 International Sale of Goods: Law and Convention (CISG)
 - 1.2.1 Sphere and Application; Formation of contracts
 - 1.2.2 The Doctrine of Frustration: Force Majeure and Supervening Impossibility
 - 1.2.3 Nature of FOB and CIF contracts
 - 1.2.4 Case Law
- 1.3 Law pertaining to Negotiable Instruments:
 - 1.3.1 Concept of Negotiable Instruments: types and their characteristics
 - 1.3.2 International Law concerning Negotiable Instruments

Unit 2: The Role of the United Nations in International Trade

- 2.1 The UN: Origin, Structure, Organs, Agencies (discussion)
- 2.2 UN Conventions: Concept, Significance, Manifestations and Legal implications
 - 2.2.1 Distinction between Laws and Conventions
- 2.3 UN Convention chartering International Sale of Goods
 - 2.3.1 HAGUE convention relating to a uniform law on the International Sale of Goods, 1964
 - 2.3.2 The U.N convention on the Limitation period in International Sale of Goods, 1974 and 1980

Unit 3: International Trade Organisations

Globalisation: Concept and Relevance

- 3.1 GATT and WTO: Formation, Transformation, Functioning and Dispute Resolution
 - 3.1.1 WTO: Current trends and Case Law
- 3.2 International Chamber of Commerce: Origin, Structure and Functions
 - 3.2.1 Dispute Resolution including Arbitration
 - 3.2.3 Sustainable International / Cross-border Trade
 - 3.2.3 Case-Law

Unit 4: Intellectual Property Laws

- 4.1 Concept of Intellectual Property Rights (IPRs) and their types: Industrial property and copyrights.

- 4.2 The Trade Related Aspects of Intellectual Property (The TRIOs Agreement): Formation and Application
- 4.3 Patents, Trade Marks and Copyrights: Relevant laws pertaining to their meaning, registration, assignment, trade and infringement(case-law)
- 4.4 International conventions pertaining to IPR
- 4.5 Brief study of additional IPRs
- 4.6 IP portfolio Management: Insurance, Audit, Broking

Unit 5: Laws pertaining to Carriage of Goods

- 5.1 Definition of contracts of carriage
- 5.2 Classification of carriers: Common Carriers, Private Carrier and Gratuitous Carrier
- 5.3 Carriage of Goods by Land
 - 5.3.1 Relevant laws (only for enlisting): The Common Carriers Act ,1865 and the Railways Act
 - 5.3.2 Rights,Duties and Liability of a common carrier
 - 5.3.3 Carriage of Goods by Rail: Rate books, Rate Risks, Forwarding Note, Railway Receipts
- 5.4 Carriage of Goods by Sea
 - 5.4.1 Relevant Laws (only for enlisting) The (Indian) Bills of lading Act ,1856, The Carriage of Goods by Sea Act 1925, The Merchant Shipping Act, 1958, The Marine Insurance Act, 1963
 - 5.4.2 Contract of Affreightment; Conditions contained in a contract of carriage by sea
 - 5.4.3 Charter party and Bill of Lading
 - 5.4.4 Hague – Visby Rules
- 5.5. Carriage of Goods by Air
 - Relevant Laws and Conventions (only for enlisting): The Carriage of Goods by Air Act, 1972; The Warsaw Conventon (1929), The Hague protocol(1955)
 - 5.5.1 Documents of Carriage
 - 5.5.2 Liability of Air Carrier

Unit 6: Foreign Exchange Laws

FERA AND FEMA

- 6.1 Definitions (under the Foreign Exchange Management Act 1999): Capital account transaction, current account transaction, currency, foreign exchange, foreign security.
- 6.2 Regulation and Management of Foreign Exchange: salient features
- 6.3 Directorate of Enforcement; Adjudicating and Appellate Authorities
- 6.3 Case-Law

Unit 7: The Information Technology Law

The UNCITRAL Model Law on E-Commerce

- 7.1 Salient Features of the Information Technology Act ,2000 (ITA 2000) and its amendment
- 7.2 Cyber Crime- Types and Case-Law

Unit 8: Additional reading / discussions on:

- a. Legislating the International Law of Dumping and Anti- Dumping
- b. The Responsibility of Host States to Foreign Investors : Customary International Law
- c. Customs Law : Basic concept, Valuation, Types of Duties.

BASIC READING LIST

- Indira Carr, (2009). International Trade Law, Routeledge-Cavendish

- Simone Schnitzer, Understanding International Trade Law Publishing Co.
- Daniel Bethlehem, Isabelle Van Damme, Donald McRae, and Rodney Neufeld (2012) The Oxford Handbook of International Trade Law
- Bhala Raj, (2008), Dictionary of International Trade Law, Newark, NJ : LexisNexis : Matthew Bender, c2008.

IBEF-A-16: THE ECONOMICS OF MULTINATIONAL ENTERPRISES

Objective: This course is designed to provide an in-depth understanding of the nature and development of multinational enterprise organization and to view this as an evolving and changing process. The course provides a sound grounding in policy and regulatory issues relating to the operations of multinational enterprises in the context of changing international patterns of production. The course addresses both the internal organization of multinational enterprises and the economic effects of their operations, and promotes understanding of the inter-relationship between corporate organization, corporate operation and impact.

Unit 1: Theory and organization of Multinational Enterprises

- 1.1 Foreign Direct Investment: (Definition, components, modes, participants and market penetration)
- 1.2 Theories of FDI: Industrial Organization theories (Stephen Hymer (1976), Charles Kindleberger (1972), Richard Caves (1972,1974), Knickerbocker (1973))
- 1.3 Internalization: Buckley and Casson (1976)
- 1.4 Eclectic Paradigm by John Dunning (1973, 1981, 1988, 1995, 1998, 2000)

Unit 2: Multinational Finance

- 2.1 Financial practices of Multinationals
- 2.2 Opportunities, costs and risks of Multinational Operations
- 2.3 Factors influencing corporate finance decisions

Unit 3: Impact of MNEs on the Host country

- 3.1 MNEs and host-country markets/firms (horizontal and vertical spillovers)
- 3.2 MNEs and International Trade (IIT and access to international markets)
- 3.3 Global value chains

Unit 4: MNE and Income Distribution

- 4.1 MNE and factor income (labour and capital)
- 4.2 MNEs and Economic growth v/s inequality
- 4.3 MNEs and host-country resources (impact on natural resources, environment, indigenous people can be included here)

Unit 5: Outsourcing

Outsourcing, offshoring, digital outsourcing, implication for developed and developing countries

Unit 6: FDI and the Indian Economy

- 6.1 FDI in the pre and post-independence era (till 1991) (pattern, trends and policies)
- 6.2 FDI from 1991 onwards (trends and policies)
- 6.3 Case-study of leading MNEs in India and their impact on domestic firms/markets
- 6.4 Outward FDI from India (case-study of Indian firms investing abroad and their impact)

Reference:

- J.H. Dunning and S.M. Lunda, *Multinational Enterprises and the Global Economy* (Cheltenham: Edward Elgar 2008).
- Y. Cassis, *Big Business. The European Experience in the Twentieth Century* (OUP 1999 (paperback)).
- A.D. Chandler and B. Mazlish (eds), *Leviathans. Multinational Corporations and the new global history* (Cambridge University Press 2005).
- S.D. Cohen, *Multinational Corporations and Foreign Direct Investment: Avoiding Simplicity, Embracing Complexity* (Oxford University Press 2007)
- A.S. Eichner, *The Megacorp & Oligopoly. Microfoundations and macro dynamics* (M.E. Sharpe, N.Y. 1976)
- J.K. Galbraith, *The New Industrial State* (Princeton University Press 1976/2007)
- G. Jones, *Multinationals and Global Capitalism: From the Nineteenth to the Twenty First Century* (Oxford University Press, 2005)
- *The Oxford Handbook of International Business* (Alan Rugman and Thomas Brewer eds, Oxford University Press, 2000)
- W. Milberg (ed), *The Megacorp & Macrodynamics. Essays in Memory of Alfred Eichner* (M.E. Sharpe, N.Y. 1992)
- C. Pitelis and R. Sugden, *The Nature of the Transnational Firm* (Routledge, 2nd ed 2000).
- L. Sklair, *Globalisation Capitalism and its Alternatives* (Oxford University Press, 3rd ed, 2002).
- St. Brakman and H. Garretsen, *Foreign Direct Investment and the Multinational Enterprise* (MIT Press 2008)
- Krug, J.A. and J.D. Daniels, *Multinational Enterprise Theory*, 3 vols (Sage Publications 2007)
- A.E. Fernández and B. Hogenboom (eds), *Big Business and Economic Development. Conglomerates and Economic Groups in Developing Countries and Transition Economies under Globalisation* (Routledge 2007).
- Apte, P. G., *International Financial Management*, 6th Edition, Tata Mcgraw-hill, New Delhi

Reference list for the above:

Aitken, Brian J. and Ann E. Harrison (1999). Do Domestic Firms Benefit from Direct Foreign Investment? Evidence from Venezuela. *The American Economic Review*, 89 (3), 605-618.

Blalock, Garrick and Daniel H. Simon (2009). Do All Firms Benefit Equally from Downstream FDI? The Moderating Effect of Local Suppliers' Capabilities on Productivity Gains. *Journal of International Business Studies*, 40 (7), 1095-1112.

Blomström, Magnus and Ari Kokko (1998). Multinational Corporations and Spillovers. *Journal of Economic Survey*, 12 (2), 1-31.

Buckley, Peter and Mark Casson (1991). *The Future of Multinational Enterprise*. Second Edition, McMillan Publications, London.

Caves, Richard E. (1971). International Corporations: The Industrial Economics of Foreign Investment. *Economica*, 38 (149), 1-27.

- Caves, Richard E. (1974). Multinational Firms, Competition, and Productivity in Host-Country Markets. *Economica*, 41 (162), 176-193.
- Dhar, Biswajit (1988). State Regulation of Foreign Private Capital in India. Corporate Studies Group *Working Paper*, Institute for Studies in Industrial Development. Retrieved on 4th February 4, 2012 from: <http://isid.org.in/pdf/statreg.PDF>
- Dunning, John H. (1973). The Determinants of International Production. *Oxford Economic Papers*, 25 (3), 289-336.
- Dunning, John H. (1981). Explaining the International Direct Investment Position of Countries: Towards a Dynamic or Developmental Approach. *Weltwirtschaftliches Archiv*, 119 (1), 30- 64.
- Dunning, John H. (1988). The Eclectic Paradigm of International Production: A Restatement and Some Possible Extensions. *Journal of International Business Studies*, 19 (1), 1-31.
- Dunning, John H. (1995). Reappraising the Eclectic Paradigm in the Age of Alliance Capitalism. *Journal of International Business Studies*, 26 (3), 461- 93.
- Dunning, John H. (1998). Location and the Multinational Enterprise: A Neglected Factor?. *Journal of International Business Studies*, 29 (1), 45-66.
- Dunning, John H. (2000). The Eclectic Paradigm as an Envelope for Economic and Business Theories of MNE Activity. *International Business Review*, 9 (1), 163- 90.
- Ganesh, S. (1997). Who Is Afraid of Foreign Firms? Current Trends in FDI in India. *Economic and Political Weekly*, 32 (22), 1265-1274.
- Government of India (2018). *Consolidated FDI Policy*. Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, New Delhi.
- Government of India (2018). *SIA Newsletter: Annual Issue*. Secretariat of Industrial Assistance, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, New Delhi (Various Issues).
- Hymer, Stephen (1976). *The International Operations of the National Firms: A Study of Direct Foreign Investment*. The Massachusetts Institute of Technology Press.
- IMF (2008), *Balance of Payments and International Investment Position Manual (BPM 6)*. Sixth Edition. Statistics Department, International Monetary Fund.
- Indian Investment Centre (1965). *India Welcomes Foreign Investment*. Indian Investment Centre, Caxton Press, New Delhi.
- Javorcik, Beata Smarzynska (2004). Does Foreign Direct Investment Increase the Productivity of Domestic Firms? In Search of Spillovers through Backward Linkages. *American Economic Review*, 94 (3), 605–627.

- Joseph, T. J. (2007). Spillovers from FDI and Absorptive Capacity of Firms: Evidence from Indian Manufacturing Industry after Liberalisation. *IIMB Management Review*, 19 (2), 119-130.
- Kathuria, Vinish (2010). Does the Technology Gap Influence Spillovers? A Post- Liberalization Analysis of Indian Manufacturing Industries. *Oxford Development Studies*, 38 (2), 145-170.
- Kearney, A. T. (2012). *Foreign Direct Investment (FDI) Confidence Index 2012*. A. T. Kearney, India.
Retrieved from: <http://www.atkearney.com/index.php/Publications/foreign-direct-investment-confidence-index.html>
- Kidron, M. (1965). *Foreign Investments in India*. Oxford University Press, London.
- Kumar, Nagesh (1982). Regulating Multinational Monopolies in India. *Economic and Political Weekly*, 17 (22), 909-917.
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- Kumar, Nagesh (1995). Industrialisation, Liberalization and Two Way Flows of Foreign Direct Investments Case of India. *Economic and Political Weekly*, 30 (50), 3228-3237.
- Kumar, Nagesh (1998). Liberalization and Changing Patterns of Foreign Direct Investments: Has India's Relative Attractiveness as a Host of FDI Improved?. *Economic and Political Weekly*, 33 (22), 1321-1323+1325-1327+1329.
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Sasidharan, Subash and A. Ramanathan (2007). Foreign Direct Investment and Spillovers: Evidence from Indian Manufacturing. *International Journal of Trade and Global Markets*, 1 (1), 5-22.

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IBEF-A-18: FOREIGN EXCHANGE DERIVATIVES

Objectives: This course provides an in depth understanding of various derivative securities and markets. It covers options, futures, forwards, swaps, interest rate forwards and options, commodity derivatives. It aims at giving the conceptual understanding as well as practical knowledge about derivative markets in India.

Unit 1: The Nature and measurement of Exposure and Risk

- 1.1 The Nature of Exposure and Risk
- 1.2 Exchange Rate and Interest Rate Volatility; Recent Experience
- 1.3 Foreign Exchange Exposure and Risk
- 1.4 Classification of foreign Exchange Exposure and Risk
- 1.5 Accounting Treatment of Transaction and Translation Exposure
- 1.6 Operating Exposure
- 1.7 Exchange Rates, Interest Rates, Inflation Rates and Exposure

Unit 2: Forwards, Swaps and Interest Parity

- 2.1 Introduction
- 2.2 Arbitrage without Transaction Costs
- 2.3 Arbitrage with Transaction Costs
- 2.4 Swaps and Deposit Markets
- 2.5 Option Forwards
- 2.6 Forward-Forward Swaps - Swap Positions
- 2.7 Forward Exchange Rates in India
- 2.8 A Cautionary Note

Unit 3: Currency and Interest Rate Futures

- 3.1 Introduction
- 3.2 Futures Contracts, Markets and the Trading Process
- 3.3 Futures Prices, Expected Spot Prices and Forward Prices
- 3.4 Hedging and Speculation with Currency Futures
- 3.5 Interest Rate Futures
- 3.6 Hedging and Speculation with Interest Rate Futures
- 3.7 Summary

Unit 4: Foreign Currency Options

- 4.1 Introduction
- 4.2 Options on Spot, Options on Futures and Futures Style Options
- 4.3 Options Terminology
- 4.4 Price Quotations
- 4.5 Elementary Option Strategies
- 4.6 Hedging with Currency Options
- 4.7 Principles of Option Pricing
- 4.8 Option Pricing Models
- 4.9 Option Deltas and Related Concepts
- 4.10 Future Options

Unit 5: Hedging, Speculation and Management of Transactions Exposure

- 5.1 Introduction
- 5.2 To Hedge or not to Hedge
- 5.3 Using the Forward Markets for Hedging Transactions Exposure
- 5.4 Hedging with the Money Market
- 5.5 Hedging with Currency Options
- 5.6 Hedging with Currency Futures
- 5.7 Internal Hedging Strategies
- 5.8 Speculation in Foreign Exchange and Money Markets
- 5.9 Summary

Unit 6: Management of Operating Exposure

- 6.1 Introduction
- 6.2 Operating Exposure and Real Exchange Rate
- 6.3 The Price and Quantity Effects of Exchange Rate Changes: A General Overview
- 6.4 An Exporter Firm
- 6.5 An Importer Firm
- 6.6 Currency of Invoicing, Quantity Inertia and Operating Exposure
- 6.7 Assessing Operating Exposure
- 6.8 Coping with Operating Exposure

BASIC READING LIST

- Hull, John, C. (2009), Options, Futures, and Other Derivatives, Pearson Prentice Hall.
- Kolb, Robert W., and Overdahl, James A. (2003), Financial Derivatives, John Wiley & Sons, Inc.
- Chance, Don M., and Brooks, Robert (2008), Introduction to Derivatives and Risk Management. Thomson South Western.
- Whaley, Robert E. (2006), Derivatives: Markets, Valuation, and Risk Management, John Wiley & Sons, Inc.
- Schofield, Neil C. (2007), Commodity Derivatives: Markets and Applications, John Wiley & Sons, Inc.
- Apte, P. G., International Financial Management, 6th Edition, Tata Mcgraw-hill, New Delhi

IBEF-A-19: BUSINESS ANALYTICS

Description:

This Learning path enables participants to gain three critical skills: data analysis and problem solving framework, the ability to perform descriptive analytics and visualization, and the expertise to build and implement the most widely used data science and machine learning algorithms in use today, with R

Module 1: The need for Analytics and Understanding Analytics

1. Decision Making – Heuristics and Biases
2. The need for analytics
3. Impact of analytics on business
4. Being analytically competitive
5. The difference between analytics and BI
6. Introduction to the business Analytics model
7. Types of analytics
8. Models and algorithms in Analytics
9. The Analytics Methodology

Module 2: Tool and Tech Landscape

1. A review of technology used in data storage, data processing, and data science
2. Popular tools used in Data Science and when to use each

Module 3: Descriptive Analytics with excel and Tableau

1. An introduction to Tableau
2. Using descriptive statistics in analysis and reporting
3. Advanced reporting with Tableau

Module 4: R programming

1. An introduction to R
2. Importing and exporting data in R
3. Data Manipulation with R
4. Advanced Data Manipulation with R
5. Data Visualization with R

Module 5: Data Preprocessing

1. Data Exploration and Assessment for Data Science
2. Identifying and dealing with noise in Data
3. Preparing data for Data Science Modeling

Model 6: Predictive Models in R

1. Linear Regression Models and their applications
2. Logistics Regression Models and Their applications
3. Time Series Forecasting

Model 7: ML Models in R

1. Clustering Algorithms and application
2. Decision Tree Algorithms and applications
3. Random Forest Algorithms and applications

Model 8: Storytelling with Data

1. Communicating data science results
2. Effective presentation skills
3. Using Data visualizations for storytelling

IBEF-B-01: WTO TRADE REGULATIONS

Objective: The objective of the course is to introduce different International Trade regulations like TRIPs, TRIMs, GATs, Anti-dumping laws, SPS and TBT Agreement, etc. and the effects of these regulation on free flow of goods and services.

Unit 1: The World Trade Organization (WTO) –

- 1.1 The World Trade Organization: its founding and aims
- 1.2 The treaties administered by the WTO.
- 1.3 Operation of the WTO and its dispute-resolution panels.
- 1.4 The failure of the WTO's Millennium Round: aims, key issues and Disputes.

Unit 2: TRIMS

Background, legal framework, example of TRIMS explicitly prohibited by TRIMS agreement, exceptional provisions of the TRIMS agreement, implication for India.

Unit 3: TRIPS

Background, the requirement of TRIPS, implication for developing countries,

Unit 4: General Agreement on Trade-in Services (GATs)

World Trade in Services and GATs, GATs and Role of Regulations in Service Trade, GATs and WTO dispute settlement, the GATs and financial services, GATs and cultural services

Unit 5: Trade in Agriculture

Agreement on Agriculture (AoA) - Domestic support, market access, export subsidies, the stand of developed and developing countries; Agricultural trade changing patterns, changing world environment for agricultural trade; international trade, environment and sustainable agricultural development.

Unit 6: Anti-dumping

Economics of dumping, calculating margin of dumping, injury to domestic industry, relief to domestic industry, investigation process, anti-dumping duties, case studies.

Unit 7: SPS and TBT Agreement

General provisions, basic rights and obligations, harmonization, equivalence, assessment of risk and determination of appropriate levels of SPS protection, control, inspection and approval procedures technical assistance, dispute settlements, different issues for developed and developing countries

Unit 8: Trade and Environment

Trade liberalization and welfare, North –South Trade and pollution heavens, UNFCCC, Kyoto Protocol and clean Development mechanism, SPS and TBT, concerns for developing countries, Environmental Problems in transborder externalities.

Unit 9: Foreign Direct Investment (FDI)

Types of FDI, Theories of International Investment, Patterns of FDI, Policy Framework to Promote Foreign Direct Investment, Horizontal FDI and the Proximity-Concentration Hypothesis, Vertical FDI, Impact of Multinationals and Foreign Direct Investment Policy, FDI Trends in India.

BASIC READING LIST

- Krugman, P. R. & Obstfeld, Maurice, (2008). *International economics: Theory & policy*, Addison-Wesley, May.
- D Salvatore, (2009). *International Economics*, John Wiley & Sons, December.
- Bhagwati, Jagdish. 2002. *Free Trade Today*, Princeton, Princeton University Press.
- Bhagwati, Jagdish. 2002. *In defense of Globalization*, New York, Oxford University Press.
- Kern Alexander and Mads Andenas, (2008). *The World Trade Organization and Trade in Services*, BRILL

IBEF-B-02: INTERNATIONAL RELATIONS

Objectives: This course acquaints students with the core concepts, processes, and issues of international relations such as power, the international system, balance of power, hegemony, conflict, cooperation, integration, globalization, interdependence, dependence, regimes etc., The course identifies the key actors in international relations including states, intergovernmental organizations, non-governmental organizations, transnational corporations, global civil society, and individuals, and attempts to understand how these actors interact to give substance to international relations. The course aims to demonstrate knowledge of the key dimensions, events and processes of international relations within their historic and economic context, such as the features and effects of globalizing market capitalism, growing environmental problems, and human rights.

Unit 1: Introduction

- 1.1 Introducing the discipline, its nature and scope
- 1.2 International Relations Theory- Realism, Liberalism, Marxist approach

Unit 2: Brief History of World Politics post-1945

- 2.1 Rise of the Super Powers- the USA and USSR
- 2.2 Cold War-ideological and strategic bipolarity; End of Cold War
- 2.3 Post 1991 World Order- Unipolarity, US hegemony
- 2.4 Contemporary scenario- decline of USA and rise of the rest

Unit 3: International Political Economy

- 3.1 Introduction to the study of international political economy-evolution of international economic relations in trade, finance, and economic development
- 3.2 The workings of the international order from the point of view of political economy, MNCs and TNCs
- 3.3 Examination of effects of national policies and international collaboration of public and private international financial institutions, in particular management of international debt crisis, economic policy coordination, and the role of international lender of last resort.

Unit 4: The Politics of International Trade and Finance

- 4.1 Theories of trade and protectionism, focusing both on relations among advanced industrial nations and on relations between developed and developing countries. standard and strategic trade theory, nontariff barriers to trade, export-led growth strategies, regional trade agreements, and the future of the WTO.
- 4.2 The welfare and distributional aspects of international trade and finance as they relate to the politics of economic policy making; globalization in historical perspective; origins and consequences of trade policy; exchange-rate arrangements; international capital flows; currency crises; economic development

Unit 5: International Law and Organizations

- 5.1 International Economic and Trade law, International Environmental Law, International Nuclear and space law, International Diplomatic law, International Human Rights Law: Migrant Population., Conflict between international legal obligations and domestic politics of citizenship, immigration, asylum, and human trafficking.

- 5.2 The theory and function of IOs (UN, NATO, EU, World Bank, IMF) in promoting international cooperation in security, peace-keeping, trade, environment, and human rights and challenges faced by them.

Unit 6: - Special and Contemporary Issues in International Relations:

- 6.1 Growing Regional Cooperation in International Relations
- 6.2 Terrorism
- 6.3 Nuclear Proliferation
- 6.4 Climate Change
- 6.5 Human Rights and Gender Justice

Unit 7: INDIA'S FOREIGN POLICY

- 7.1 Making of India's Foreign Policy: - Foundations of Indian foreign policy and its evolution since 1947; objectives, strategies of engagement – bilateralism and multilateralism
- 7.2 India's Nuclear and Security Policies
- 7.3 India's Interface with its Neighbors
- 7.4 Foreign Policy of India towards South Asian Countries, position of India in SAARC, India's bi-lateral engagements with the South Asian countries, i.e Pakistan, Bangladesh, Nepal, Bhutan, Sri Lanka, Maldives, Afghanistan.
- 7.5 India and the Major Powers – USA, EU, Russia , Japan, and China.
- 7.6 India's approach to major global issues; Disarmament –arms control - cross border terrorism, environmental position, and Human right

References:-

1. Baylis, John and Steve Smith(ed) Globalization of World Politics- An Introduction to international relations OUP ,2014
2. Goldstein, Joshua S and Pevehouse. Jon C, 2010 International Relations, Pearson
3. Gilpin, Robert; Global Political Economy, Princeton University Press, 2001
4. Harihara Das, Principles of International Law and Organization (New Delhi: Vikas Publishing House Pvt. Ltd., 1994).
5. J. N. Dixit, Indian Foreign Policy and its Neighbours, New Delhi: Gyan Publishing, 2001.
6. Jawaharlal Nehru, India's Foreign Policy: Selected Speeches, September 1946-April 1961 New Delhi: Publications Division, Ministry of Information and Broadcasting, Govt. of India, 1961
7. **Klein, Naomi (2014), *This Changes Everything: Capitalism vs. The Climate Change*, New York: Simon & Schuster**
8. Margaret Karns and Karen Mingst, eds., International Organizations: The Politics and Processes of Global Governance Lynne Rienner Publishers, 2009.
9. Mohan, C Raja (2003), *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, New Delhi: Penguin Books
10. **Muni, S. D and Iftikhar A. Lodhi (2010), *The Emerging Dimensions of SAARC*, New Delhi: Foundation Books.**
11. Muni, S.D and Girijesh Pant (2005), *India's Search for Energy Security: Prospects for Co-operation with Extended Neighborhood*, New Delhi: Observer Research Foundation.
12. Nehru, Jawaharlal (1934), *Glimpses of World History*, London: Penguin Books.
13. Prasad, Vijay (2009), *The Darker Nations: A Biography of the Short-lived Third World*, New Delhi: LeftWords.

Articles

1. Harshe, Rajen (2006), "Culture, Identity and International Relations", *Economic and Political Weekly*, 41:37,3945-3951.
2. Kahler, Miles (1998), "Rationality in International relations" *International Organisation*, 52:4, pp.919-941.
3. Tellis, Ashley J (2014), "The geopolitics of the TTIP and the TPP", *Adelphi Series*, 54:450.
4. Wright, Thomas (2015), "The Rise and Fall of the Unipolar Concept", *The Washington Quarterly*, 34:7,pp. 7-24.

IBEF-B-03: COMMERCIAL GEOGRAPHY

Objectives: To understand the scope, content and dynamic aspects of Commercial Geography. To acquaint the students about natural resources and their role in trade. To introduce different modes of international transport and communication.

Unit 1: Introduction to Commercial Geography

- 1.1 Definition, nature and scope, relation with other branches.
- 1.2 Approaches to the study of commercial geography.
- 1.3 Meaning of environment, physical or natural environment and cultural or manmade environment, various factors affecting commercial activities of man
 - a) Physical or natural factors: Location, climate, physiography or land relief, soil, animals, minerals, vegetation, water bodies, extent and shape of a country.
 - b) Cultural or manmade factors: Transportation and communication, science and technology, settlement, government political situation, racial and ethnic composition.
- 1.4 Commercial activities: Primary, secondary, tertiary and quaternary activities.
- 1.5 Theories of determinism and possibilism, stop and go determinism.

Unit 2: Natural Resources and their role in trade

- 2.1 Classification of resources and conservation of resources.
- 2.2 Forest resources: Types of forest, uses of forests, major forest products.
- 2.3 Animal resources: Cattle rearing, dairy cattle, dairy farming regions, beef cattle, world distribution of beef cattle, sheep rearing, wool sheep, mutton sheep, pig farming, poultry farming, sericulture and aquaculture.
- 2.4 Marine resources: Factors favoring fishing, kinds of fisheries, major fishing grounds of the world. Pisciculture (fish farming). Operation flood program and Blue Revolution.
- 2.5 Mineral resources: World production and trade in iron ore, copper, bauxite, gold, silver, diamond.
- 2.6 Power resources: World production and trade in coal, petroleum, natural gas, hydro-electricity and atomic or nuclear energy, factors affecting for harnessing hydro-electric power.
- 2.7 Agriculture resources: Types of agriculture, world distribution and trade in wheat, rice (paddy), maize (Indian corn), tea, coffee. Green revolution.
- 2.8 World distribution of iron and steel industries, cotton textiles, chemical and petrochemical, ship building and paper industry.
- 2.9 Weber's theory of industrial location, Losch theory of profit maximization.

Unit 3: Transport and communication

- 3.1 Merits and demerits of various modes of transport.
- 3.2 Major ocean routes – The North Atlantic; Major ship canal – The Suez Canal, the Panama Canal, the Great Lakes-St. Lawrence seaway; Major Trans-Continental Railway – the Trans-Siberian Railway; Major International Ports.
- 3.2 Satellites communication role in enhancing trade in India.

BASIC READING LIST

- Commercial Geography – Sir Dudley Stamp
- II Fundamental of Economic Geography – Van Royen & Bengston

IBEF-B-04: INTERNATIONAL ECONOMIC INSTITUTIONS

Objective: The objective of the course is to introduce different international institutions like WTO, World Bank, IMF, IFC, OECD and their roles and functions in monitoring international flow of capital, goods and services.

Unit 1: Introduction to the Study of International Economic Institutions

Understanding the need for International Economic Institutions.

Unit 2: International Chamber of Commerce

- 2.1 Objectives
- 2.2 Guidelines
- 2.3 Self-Regulation by Business

Unit 3: The World Bank Group

- 3.1 The IBRD's aims and its financial structure.
- 3.2 The IBRD's resource-drawing policy.
- 3.3 The IBRD's loan policy.
- 3.4 The IBRD and the environment.
- 3.5 The International Finance Corporation (IFC).
- 3.6 The International Development Agency (IDA)
- 3.7 The Multilateral Investment Guarantee Agency
- 3.8 The World Bank's evolving role in the post-Cold War era.

Unit 4: The International Finance Corporation (IFC).

- 4.1 The International Development Agency (IDA).
- 4.2 The Multilateral Investment Guarantee Agency
- 4.3. The World Bank's evolving role in the post-Cold War era.
- 4.4 The International Monetary System and the International Monetary Fund (IMF)
- 4.5 IMF features: the quota system, the Articles of Agreement, membership conditions.
- 4.6 The IMF's policies and its instruments. Special Drawing Rights (SDR), stand-by arrangements, extended facility, enlarged access
- 4.7 The IMF's role in the international economy: oversight of exchange-rate stability, debt rescheduling, balance-of-payment assistance.
- 4.8 The IMF's efforts to battle corruption and bad governance.
- 4.9 The IMF and its handling of the international debt problem.
- 4.10 Origins and growth of foreign debt in the seventies.
- 4.11 The institutional response to the debt crisis: debt renegotiation and rescheduling following the IMF's lead.
- 4.12 The 1997 East Asia crisis. Causes and action taken.

Unit 5: The Organization for Economic Cooperation and Development (OECD)

- 5.1 Objectives and institutional make-up of the OECD
- 5.2 OECD activities and functions
- 5.3 The OECD and development: The Committee of Aid for Development

Unit 6: Multilateral Regional Banks: ADB, BRIC Bank, SAARC Bank

Reading List:

- Thummuluti Siddahiah, (2011), *International Financial Management*, Pearson
- Apte, P. G., *International Financial Management*, 6th Edition, Tata Mcgraw-hill, New Delhi

IBEF-B-05: INTERNATIONAL TRADE IN AGRICULTURE

Module 1: International Trade – Basic concepts-importance of trade, gains from trade, comparative cost doctrine trade policies-instruments of trade policy- tariffs, subsidies, quotas, Case for protectionism and for free trade

Module 2: Importance of Agriculture in development, trade and agriculture, globalization and agriculture, world agricultural trade: structure and pattern, world agricultural trade policies, need for reform

Module 3: WTO-Agreement on agriculture -main provisions - market access, domestic support, export subsidies and other provisions, various rounds, Doha impasse, issues for further negotiations, implications of WTO provisions on Indian Agriculture-reduction commitments for India, emergence of various country groups /alliances and their participation in negotiations.

Module 4: Foreign Trade of India, trade policy, Indian agricultural trade, trends in exports and imports, changing structure and pattern of agricultural trade, export potential of various agro-commodities, export and import procedures and documentations.

Module 5: Competitiveness of Indian Agriculture, measures of competitiveness, competitiveness of various crops, measures for improvement

Suggested Readings: Books

- Bhalla, G.S. (2004), Globalisation and Indian Agriculture, State of the Indian Farmers, Vol. 19, Academic Foundation, New Delhi.
- Chadha G. K. (2003), WTO and Indian Economy. Deep and Deep Publications.
- Datta Samar K. and Satish Y. Deodhar (2001), Implications of WTO Agreements for Indian Agriculture, [Oxford and IBH Pub. Co., New Delhi](#)
- Hooda and Gulati (2007), WTO Negotiations on Agriculture and Developing Countries, Oxford University Press, New Delhi
- Gulati, Ashok and Tim Kelley (1999), Trade liberalization and Indian Agriculture: Cropping Pattern Changes and Efficiency Gains in Semi-Arid Tropics, [Oxford University Press](#) in [New Delhi, New York](#) .
- Vashisht A. K. and Singh Alka (2003), WTO and New International Trade Regime- Implication for Indian Agriculture. Advance Publishing Concept.
- Krugman and Obstfield (2009), 'International Economics; Theory and Practice' Pearson Publications, New Delhi.

Articles

- Aksoy, M.Ataman and John C. Beghin (2005), 'The Evolution of Agricultural Trade Flows' in M. Ataman Aksoy and John C. Beghin ed. Global Agricultural Trade and Developing Countries, The World Bank, Washington D.C.
- Deodhar, Satish, (2001), 'WTO Pacts and Food Quality Issues', Economic and Political Weekly , July 28, 2001 pg. 2813 to 2816.
- Deodhar, Satish (2001), 'WTO Agreements and Indian Agriculture: Retrospection and Prospects' in S.K. Datta and S. Y. Deodhar ed. Implications of WTO Agreements for Indian Agriculture, CMA Monograph No. 191, IIM-Ahmedabad.
- Export Import Bank of India (2007), Regional Trade Agreements - Gateway to Global Trade, Occasional Paper 120, Oct 2007.
- Gulati Ashok and Anil Sharma (1994), 'Agriculture under GATT: What it Holds for India', Special article, Economic and Political Weekly, July 16, p : 1857-1863.
- Gulati, Ashok, Rajesh Mehta, Sudha Narayanan (1999), 'From Marrakesh to Seattle : Indian Agriculture in a Globalising World' Special article, Economic and Political Weekly, October 9, 1999, pg 2931 to 2942.

- Landes, Rip and Ahok Gulati (2004), 'Farm Sector Performance and Reform Agenda' Special Article, Economic and Political Weekly, August 7, p: 3611-3619.
- Rajiv Kumar and Swapna Nair (2009), 'India: Strategies at the Doha Development Agenda- July and Beyond', Working paper prepared for presentation at the 2009 World Trade Organization Forum, Geneva.
- Roberts, T. Michael (2009), 'Technical Regulations and Trade: Current Issues, Trends and Long Term Prospects, in Alexander Sarris and Jamie Morrison ed. The Evolving Structure of World Agricultural : Trade Implications for Trade Policy and Trade Agreements, Food and Agriculture Organization of The United Nations, Rome.
- Rao, C. Niranjana (2004), 'Indian Seed System and Plant Variety Protection', Economic and Political Weekly, Feb 21, p.845-852
- Sathe, Dhanmanjiri and R. S. Deshpande (2006), 'Sustaining Agricultural Trade Policy and Impact', Economic and Political Weekly, December 30, pg. 5337 to 5344
- Sawhney, Aparna (2005), 'Sanitary and Phytosanitary: India' Report of the APO Seminar on Sanitary and Phytosanitary Measures held in Japan, 4-11 December 2002 (02-AG-GE-SEM-09) Asian Productivity Organization.
- Vyas, V.S. (1999), 'Agricultural Trade Policy and Export Strategy', Economic and Political Weekly, Vol. 34(13), March 27, pg. A-27.
- Watal, Jayshree (1998), 'Intellectual Property Rights in Indian Agriculture', Working Paper No. 44, July, Indian Council for Research on International Economics Relations New Delhi.

IBEF-B-06: DEVELOPMENT FINANCE

Objectives

This course aims at providing an in depth discussion of various aspects and issues related to development finance. It provides an understanding of financial intervention strategies, project appraisal and social cost benefit analysis. the focus is on the traditional as well as the latest sources of developmental finance including a wide range of finance instruments and their usage in various developmental interventions.

Module 1: A. Overview of Development Finance

Background on Financing for Development Issues – changing concepts of development- from GDP to SDGs and wellbeing, financial inclusion goal, overview of finance needs of various types of projects, programs and activities ranging from industrial, commercial to social sector spending and programs. Difference between development finance, social finance and conventional finance – problems of development finance – introduction to the agencies involved government – multinational – organizations – international financing – NGOs –agencies involved – recent trends developing country problems. Emergence of new protocols in financing such as ESG criteria, Equator principles.

Financial Landscape- overview of global capital flows –multilateral efforts for development finance & UN aegis, traditional and new such as impact investments for development, Development finance landscape global and India, financial intermediaries, DFIs & others, relationship between financial and real sector, financial inclusion and economic development.

Module 2: Project Appraisal for Developmental projects and programs

Social cost Benefit analysis – How it differs from the private cost benefit analysis – Issues and problems – shadow pricing – methods of social cost benefit analysis- issues in monetisation; applications to industrial, infrastructure energy, transport & social sector projects, social impact assessment -development of metrics for evaluation

Module 3: Government Financing of Development

Public finance resources –taxation – public expenditure and deficit – public debt – issues related to India, (official development assistance (ODA), public private partnership, role of private finance, governments & financial sectors role in enhancement of private financial participation in development.

Module 4: Role of NGOs in development finance

Meaning and Definition – Role of NGOs – Types of NGOs and History of NGOs in India – NGOs and the State: Withdrawing of the State and Expanding Role of NGOs – Role of NGOs in Socio-Economic Development – financial advocacy, Sustainability of NGOs and Globalisation – Non-Profit Financing Sources – Structure and Management – Sustaining the Social Development Partnership – International Agencies Supporting NGOs and NGOs of India Donor Agencies – World Bank, Asian Development Bank, Melinda and Gates Foundation, SEWA, PRADHAN, Disha, Asha, CINI, Seva Mandir, MYRADA.

Module 5: TYPES OF DEVELOPMENT FINANCE.

5.1 FINANCIAL INCLUSION

Microfinance Concept, Grameen model, global trends: development, contribution, problems, criticisms – strategic issues in microfinance sustainability, Effective Interest Rates for micro credit – National Development Banks and other “inclusive” credit policies: Types, contribution, problems.

5.2 STRUCTURED FINANCE-brief recitations- Securitisation, derivatives, swaps, relevance to developmental finance-projects, infrastructure finance- features, hedging costs –alternatives- local currency financing, exchange risk funds, credit guarantees, masala bonds.

5.3 INFRASTRUCTURE FINANCE- characteristics, nonrecourse financing types of projects, boo bot. etc, ppp models –issues, smart city financing, financial assistance for infrastructure projects, risk mitigation, some sectors analysis & policy overview

5.4 EXPORT FINANCE - role in development finance, factoring, forfaiting, risk mitigation

5.5 ROLE OF PRIVATE FINANCE IN DEVELOPMENT- useage of credit enhancement and blended finance & policy issues.

Module 6: New Sources of Developmental Finance –

Genesis, economic and social impacts and current status -

financial transactions tax, environmental taxation, carbon pricing/emission trading systems, creation of new sdrs for development financing, international finance facility-(used in global health vaccines, reproductive health hiv & now education), philanthropic funds, global lottery, remittances from emigrants, sovereign wealth funds, airline tax, billionaire tax, reduction of illicit financial flows.- plugging the leaks.

Module 7: Technology enabled finance- role in financial systems, economic development , trade and financial inclusion, mobile and internet based payment systems, document negotiation and settlement systems,

Module 8: contemporary developments in pertinent equity and debt markets: new types of capital, impact finance for development finance - philanthropic outcomes based financing, social finance and any others.

Reading List:

- Addison, Tony, McGillivray, Mark, and Mavrotas, George, (Ed.) (2005) Development Assistance and Development Finance. UNU-Wider.
- Giles, Susan L., Blakely, Edward J. (2004), Fundamentals of Economic Development Finance, Sage Publications.- third edition kindle edition
by [Susan Giles Bischak](#) (author), [David Baxter](#) (foreword) format: kindle edition oct 2019 }
- Stiglitz, Joseph (2000), The Economics of Public Sector, W.W. Norton & Co.
- Atkinson, A. B. (Editor) (2004), New Sources of Development Finance, Nuffield College, Oxford University.
- Ledgerwood, J. (2001), Microfinance Handbook: An Institutional and Financial Perspective, World Bank Publications
- Armendáriz, B. and Morduch, J. (2005) The Economics of Microfinance, The MIT Press.
- Truman, Edwin M., (2010), Sovereign Wealth Funds: Threat or Salvation? Peterson Institute

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Development Finance, Innovations for sustainable Growth, Editors: **Biekpe**, Nicholas, **Cassimon**, Danny, **Mullineux**, Andrew William (eds.)2017

*Online resources .

IBEF-B-07: TAXATION

Objectives: This course offers an understanding of tax implications for the managerial decisions. The focus is on various direct and indirect taxes in India and their relevance in corporate decision making.

Module 1: New Industrial Establishment and Tax Planning: Direct Tax planning –Tax planning vs. tax evasion – Tax management – Tax implications in planning – The legal status of business unit, firm, private limited company and public limited company – Tax planning in respect of different heads of income – Tax implications in International Joint Venture – Tax aspects of mergers and amalgamations.

Module 2: Tax Considerations Arising with Regard to Specific Management Decisions: Such as - Make or buy – Own or lease – Retain or replace –Repair of scrap or return –Export versus local sale – Shut down or continue – Expand or contract – Merger and acquisition – New capital investment – Tax exemptions – Various deductions under chapter VI.

Module 3: Various Heads of Income: Salaries, House Property, Profits and Gains of Business and Profession, Capital Gains, Other Sources – Income Tax Act, 1961

Module 4: Corporate Income Tax: Tax concession and incentives for corporate decision–Tax planning for depreciation–Treatment of losses & un-absorbed items–Carry forward and set off losses–Tax and business reorganization: merger and amalgamation Tax.

Module 5: Clubbing of income, set-off and carry forward of losses, Deductions – Income Tax Act, 1961

Module 6: Goods and Service Tax Law: Concept of GST - Important definitions, Supply - Time of supply, Registration under GST Law, Input Tax Credit, Valuation, Few administrative & legal however, important provisions, Calculation of GST liability – Illustrations.

Module 7: Customs Act: Customs Duty – Nature and contemporary legislation – Taxable event for import and export of goods – Types and rates of custom duties – Valuation of goods – Procedures for import and export, manual and electronic documentation, baggage, courier and postal imports and exports – Duty Drawback – Deemed Export – Exemptions from duty – Remission and refund of duty – Demands and appeals – Customs House Agents.

Reading List:

- Date, V. S., Indirect Taxes (Latest Edition).
- Bare Acts and rules of the relevant taxes.
- Indirect Tax Laws by Taxman (Latest Edition).
- Gururaj, B.N. (2010-2011), CENVAT on Goods and Services.

IBEF-B-08: PUBLIC ECONOMICS

Objective

The objective of this course is to familiarize students about the rationale for and role of government intervention in economic activities and how the government makes economic decisions. The course will examine the recent developments in both theoretical and empirical literature in the area. The Indian case studies will be discussed in detail for a better familiarity with Indian public economics.

Module 1: Economic Rationale of the Modern State and Macro Economic Perspective of Public Finance

- Issues related to market failure and the government intervention
- The role of State in Allocation, Distribution, Regulation and Stabilization.
- The changing role of the State: Issues in a globalizing world with special emphasis on global public goods.
- Macroeconomics of Public Finance: The interaction between fiscal and monetary policy and fiscal stabilization.

Module 2: Economic Analysis of Public Goods

- Public goods: pure and impure public goods.
- Optimal provision of public goods – voting and public choice – preference revelation mechanisms – Lindahl and successors, free riding, mobility.
- The theory of clubs and local public goods.
- Public goods and the private cost of public goods- Pseudo- market mechanism for Preference Revelation.

Module 3: Economic decision making in government

- Normative social choice theory – Arrow's theorem – majority voting – The median voter model – representative democracy.
- Positive social choice theory: The Leviathan hypothesis – rent – seeking – lobbying and interest groups.

Module 4: Theory of Taxation

- The conflict between efficiency and equity - horizontal and vertical equity- welfare analysis with uncertainty.
- Shifting and Incidence of Tax: The Partial and General Equilibrium Analysis- the Harberger model
- Canons of taxation
- Theory of Optimal Taxation.
- Taxation and economic efficiency.
- Issues related to tax policy in developing countries.

Module 5: Tax Policy Issues in India

- Indian Tax System: An assessment
- Practical Issues of Tax reforms in India
- An introduction to Value Added Tax
- Value Added Tax: Design, Issues and Options.

- An introduction to MODVAT, CENVAT and Goods and Services Tax (GST)
- Issues in the taxation of Services in India.

Module 6: Public Expenditure Theory

- Pure theory of public expenditure- Empirical evidence on public expenditure theories.
- Public Sector Pricing- Pricing of Public Utilities.
- Public expenditure management and control
- Concept, measurement and magnitude of subsidies.
- Social infrastructure and financing of human development.
- Growth, nature and composition of public expenditure in India
- Sustainability issues of Centre and State expenditure in India
- Issues related to subsidies in India
- Social Security and State level pension reforms in India.

Module 7: Fiscal Federalism

- Theory of Fiscal Federalism: The decentralization theorem.
- Economic efficiency issues in multilevel government.
- Assignment issues in multilevel government.
- Theory of intergovernmental transfers.

Module 6: Fiscal Federalism in India

- Centre-State Financial relations in India - Constitutional provisions and various committee recommendations on sharing of revenue.
- Fiscal Decentralization in India in the context of 73rd and 74th Constitutional Amendments.
- Implication of recommendations of Finance Commission.
- Centrally Sponsored Schemes and its implications for federalism.
- Sub national fiscal reforms in India.

Module 8: Fiscal Imbalance and Management of Public Debt

- Measurement and macro-economic impact of deficits- alternative paradigms.
- The concept of budget.
- Fiscal deficit and interest rates: Analytical and empirical issues.
- Public debt burden and intergenerational equity.
- Issues related to public debt sustainability.
- Trends and developments in Indian Fiscal Policy.
- Recent experience with stabilization functions of India government.
- Fiscal Responsibility and Budget Management Act: An Evaluation.
- Trends in and Financing pattern of deficits in India and its macro-economic implications.

Basic Readings

Books

- Alan Peacock (1979), *The Economic Analysis of Governments*, St. Martin Press, New York.
- Atkinson, A. and Stiglitz, J. (1980), *Lectures in Public Economics*, McGraw Hill, London.
- Auerbach, A., and M. Feldstein (1987), *Handbook of Public Economics*, Vol. 1 &2. North Holland, Amsterdam.
- Boadway, R. (1984), *Public Sector Economics*, 2nd Sub edition, Scott Foresman & Co., London.

- Cullis, J. And Jones, P. (1998), Public Finance and Public Choice, 2nd Edition, Oxford University Press, Oxford.
- Due, John F. and Friedlander, Ann F. (1977), Government finance: Economics of the public sector, 6th Edition, Richard D. Irwin Inc., Homewood.
- Helpman, E., Razin, A. and Sadka, E. (1988) Editors, Economic Effects of the Government Budget, MIT Press, Cambridge, Mass.
- Jha, Raghendra (1999), Modern Public Economics, Routledge, London and New York.
- Johansen, Leif, (1965), Public economics, North - Holland Publishing Company, Amsterdam.
- Laffont, Jean-Jacques (1994), Fundamentals of Public Economics, MIT Press Cambridge, Mass.
- Myles, Gareth D. (1995), Public Economics, Cambridge University Press, Cambridge.
- Rosen, Harvey S. (1995), Public Finance 4th Edition, Richard D. Irwin, Chicago.
- Stiglitz, J.E. (1989) Economics of the Public Sector, W.W. Norton & Company, London.
- Thompson, F. And Green, M. T. (1998), Handbook of Public Finance, Marcel Dekker, New York.
- World Bank (1996), From Plan to Market, World Development Report, The World Bank, Washington DC.
- World Bank (1997), The State in a Changing World, World Development Report, The World Bank, Washington DC.
- World Bank (1999), Knowledge for Development, World Development Report, The World Bank, Washington DC.

Articles

- Agno Sandmo (1976): Optimal Taxation: An Introduction to Literature, Journal of Public Economics, 6, pp 37-54.
- Berry, Steven T. and Joel Waldfogel (1999): "Public Radio in the U.S.: Does it Correct Market Public Radio in the U.S.: Does it Correct Market Failure of Cannibalize Commercial Stations?" Journal of Public Economics 71, 189-211.
- Charles Tiebout (1956): "A Pure Theory of Local Expenditures, Journal of Public Economics, 64, 416-424.
- Blejer, M. and Adrienne, C. (1993): 'How to Measure the Fiscal Deficit', International Monetary Fund, Washington DC.
- Blejer, M. I. and Adrienne, C. (1991): 'Measurement of Fiscal Deficits: Analytical and Methodological Issues', Journal of Economic Literature, 29(4): 1644-78.
- Buiter, W.H. (1990): 'Principles of Budgetary and Financial Policy, Harvester Wheatsheafm, New York.
- Cebula, R. (1988): 'Federal Government Deficits and Interest rates: An Empirical Analysis of United States, 1955-1984', Public Finance, 43(3). 206-210
- Charles Tiebout (1956): "A Pure Theory of Local Expenditures." JPE 64, 416-424.
- Coase (1974): The Lighthouse in Economics, Journal of Law and Economics, Vol. 17, No. 2. (Oct.1974), pp. 357-376
- Feldstein, Martin (2001) The Transformation of Public Economics Research: 1970-2000, NBER website.
- Harberger, A.C., 1962. The incidence of the corporation income tax. Journal of Political Economy 70(3), 215-240.
- James M. Buchanan (1965): An Economic Theory of Clubs, Economica, New Series, Vol. 32, No.125. pp. 1-14.
- Oates, Wallace, (1999): An Essay on Fiscal Federalism, Journal of Economic Literature, Vol. XXXVII.

- Samuelson, Paul A. (1954): "The Pure Theory of Public Expenditure." Review of Economics and Statistics, 387-389.
- Samuelson, Paul A. (1955): "A Diagrammatic Exposition of the Theory of Public Expenditures." Review of Economics and Statistics (Nov.)

IBEF-B-09: LAW AND ECONOMICS - I

PREAMBLE:

The hallmark of the new interdisciplinary field of law and economics is the application of the theories and empirical methods of economics to the legal system across the board, for example, the common law fields such as torts, contracts, property, etc. In fact, Ronald Coase's paper on "The Problem of Social Cost" (1960), Guido Calabresi's article on "Some Thoughts on Risk Distribution and the New Law" (1961), and the work of Alchian on "Some Economics of Property Rights" (1961) had applied the methods of economics to some of the areas of law. One endeavor, which is gaining momentum and respectability, is the application of economic analysis to legal problems. The works of Richard Posner's book on *Economic Analysis of Law* (1972) widely contributed to the introduction of the Law and Economics course. In addition, the economic analysis of law has extended to non-market behaviour, particularly influenced by the theoretical framework of Gary Becker on the economic analysis of crime, racial discrimination, and marriage and divorce.

Economics provides a scientific theory to predict the effects of legal sanctions on behavior. In addition to a scientific theory of behaviour, economics provides a useful normative standard for evaluating law and policy. Laws are not just arcane technical arguments. They are instruments for achieving important social goals. In order to know the effects of laws on those goals, judges and other law-makers must have a method of evaluating effects of laws on important social values. Economics predicts the effects of policies on efficiency and distribution. Economic analysis often takes for granted such legal institutions as property and contract, which dramatically affect the economy. For instance, the absence of secure property and reliable contracts paralyses the economies of some nations in third world. Economist, besides substance, can learn techniques from lawyers. For example, economists frequently support the merits of voluntary exchange, but they do not have a detailed account of what it means for exchange to be voluntary. In case of contract law, it has a complex and well-articulated theory of violation. So the economists, to find their models closer to reality, will have to listen to what the law has to teach them.

The benefits of interdisciplinary study can be had only when lawyers learn economics and economists learn something about law. Module 1 is an introduction to the concepts of economics as well as law. Modules 2 to 6 will focus on economic analysis of property law, contract law, tort law, and criminal law. Finally, Module 7 will put emphasis on competition law. Overall the course deals with the explanation of established links between the subjects of Economics and Law, and development of efficient rules and regulations.

Module 1: Introduction to Law and Economics

Economic Analysis of Law: An Introduction

Why do economists need to be concerned about law? - Relationship between law and economics

Economic Concepts and their relevance to Law

Legal Concepts - The Common Law and the Civil Law Traditions, Introduction to Judicial System in India, Economic Approach to Legal Rules, Methodological Aspects of Legal Rules, Efficiency, Justice and the inherent rationality of Private Law, Development of efficient Rules: Selected Cases

Module 2: Economic Analysis of Contract Law

Introduction - Economic Theory of Contract - Perfect Contracts, Imperfect Contracts
Economics of Remedies for Breach of Contract - Expected Damages, Opportunity Cost, Reliance Damages, Restitution, Specific Performance
Differences between Contracts and Torts - The Foreseeability Rule in Contract Law, Pure Economic loss in Torts

Module 3: Economic Analysis of Tort Law

Introduction, Economic Theory of Torts Law - Accident Costs and their minimization, Liability Rules, Negligence, Contributory Negligence, Comparative Negligence, Strict Liability, Economics of Tort Liability - Liability v. Regulation, Causation in Torts, Joint and Multiple Liability, Product Liability: Producers' Responsibility, and Consumer Protection through Consumer Courts, Environmental Liability, Immaterial Damages: Pain and Suffering

Module 4: Economic Analysis of Property Law

Introduction, An Economic Theory of Property, Economics of Property Law - Market strategies, Non- market strategies, Allocation of Property Rights - First come first served, Good faith purchase, Title to Land, Establishment of entitlements - Property Rule, Liability Rule, Inalienability Rule

Module 5: The Coase Theorem

Externalities, Transaction Costs, Efficiency Hypothesis & Invariance Hypothesis.

Module 6: Economic Analysis of Criminal Law

Introduction, Principal Types of Crime, Optimal Criminal Sanctions: Economics of Crime and Punishment, Criminal Intent, The Defence of Necessity, The Economics of Organised Crime

Module 7: Economic Analysis of Competition Law

Introduction, Economic Theory of Competition Law - Workable Competition: Structure- Conduct- Performance, Competition as Dynamic Process, Reappraisal of Price Theory - Vertical Restraints: Vertical Price Fixing, Predatory Pricing: Lowering Prices, Control of Concentration: Collusion, Transaction Cost Approach, Theory of Contestable Markets, Applications to USA and EC Competition Policy

Module 8: Competition Policy in India

Monopolies and Restrictive Trade Practices Act, and Competition Policy Report, Divestment of Public Sector Units and Deregulation, Regulated Competitions and Regulatory Authorities (Power, Telecom, Insurance, Banking)

BASIC READING LIST

Posner Richard A – Economic Analysis of Law (7th Edition 2007)
Cooter Robert & Ulen Thomas- Law and Economics (5th Edition 2007)
Shavel Steven – Foundation of Economic Analysis of Law (2004)
Harison Jeffrey L. & Theeuwes Jules - Law and Economics (2008)
Polinsky Mitchell A.- An Introduction to Law and Economics (2003)
Friedman David D. – Law’s Order (2000)
Wittman Donald A – Economic Analysis of Law- Selected Reading (2003)
Micali Thomas J.- The Economic Approach to Law (2009)
Hirsch Werner Z. - Law and Economics (1999)
Landes Williams, Posner Richard - The Economic Structure of Intellectual Property Laws (2003).
Mercurio Nicholas, Medema Steven G. – Economics & the Law- Second Edition (2006)
Baird, Gentner & Picker – Game Theory & the Law (1994)

Further Readings

Bouckaert, B. & De Geest, G., Encyclopedia of Law and Economics
Burrows, Paul & Veljanovski, G. C., *The Economic Approach to Law*, London, Butterworths, 1981.
Calabresi, G. *The Costs of Accidents*, Yale University Press, 1970.
Divan, S. & Rosencronz, A. *Environmental Law and Policy in India*, Oxford University Press, New Delhi, 2001, 2nd ed.
Laffont, J. J. & Mass., Tirole, J. *A Theory of Incentives in Procurement and Regulation*, Cambridge/1993.
Munzer, S. R., *A Theory of Property*, Cambridge University Press, 1990.
Newman, P., Palgrave Dictionary of Economics and the Law.
Schmidth, P., *An Economic Analysis of Crime and Justice*, Academic Press, Orlando, 1984.
Williamson, O.E., *The Economic Institutions of Capitalism: Firms, Markets, Relational Contracting*, The Free Press, New York, 1985.

Articles:

Alessi De Louis & Staaf, R. J., "Subjective Value in Contract Law", *Journal of International and Theoretical Economics*, Vol. 145, 1989, pp. 561- 577.
Bebchuk, L. A. & Shavell, S., "Information and the Scope of liability for Breach of Contract: The Rule of Hadley vs. Baxendale", *Journal of Law, Economic Organisation*, 1991, pp. 284-312.
Bradley, Fischel, " Efficient Capital Market Theory, the Market for Corporate Control and the Regulation of Cash Tender Offers" in: Posner/ Scott, *Economics of Corporation Law and Securities Regulation*, 1980, pp.211- 214.
Calabresi G. & Malamed, A., "Property Rules, Liability Rules and Inalienability: One View of the Cathedral", 85, *Harvard Law Review*, 1972, p. 1089.
Clark, J. M., "Toward a Concept of Workable Competition", *American Economic Review*, Vol. 30, 1940, pp. 241- 256. Coase, Ronald H., "The Problems of Social Cost", *The Journal of Law & Economics*, Vol. 3, No. 1, October 1960, pp. 1- 44.
Coffee, J. C., "The Mandatory/ Enabling Balance in Corporate Law: An Essay on the Judicial Role", *Columbia Law Review*, Vol. 89, 1989, pp.1618-1691.
Easterbrook, H. F. & Fischel, R. D., "Limited Liability and the Corporation", *University of Chicago Law Review*, Vol. 52, No.1, 1985, pp. 89- 117.
Gary Becker, S. "Crime and Punishment: An Economic Approach", *Journal of Political Economy*, Vol. 76, 1968.

Murali Prasad Panta, "The relative efficiency of Liability vs. Regulation in providing incentives to the tortfeasor" *Journal of the Indian Law Institute*, 41, (3&4), pp.405-428, 1999.

Niskanen, W. A. "Bureaucrats and Politicians", *Journal of Law and Economics*, Vol. 18, 1975, pp. 617- 641.

The design of Contract and Remedies for Breach, *The Quarterly Journal of Economics*, 99, 1984, pp.120.

Wadhwa, D. C., "Guaranteeing Title to Land- A Preliminary Study", *Economic and Political Weekly*, October 14, 1989, pp. 2323- 2334.

Additional Reading List.

Alchian, A. A. & "Production, Information Costs, and Economic Organisation", Demsetz, H. *American Economic Review*, Vol. 62, 1972, pp. 777- 795.

Ayres, I. & Gertner, R., "Filling Gaps in Incomplete Contracts: An Economic Theory of Default Rules", *The Yale Law Journal*, 1989, pp. 101- 107.

Calabresi, G. & Klevorick, K. A., "Four Tests for Liability in Torts", *Journal of Legal Studies*, Vol. 14, No. 3, December 1985, pp. 585- 627.

Calfee, E. John & Craswell, R., "Market Failure and the Economic Case for a Mandatory Disclosure System", *Virginia Law Review*, Vol. 70, 1984, pp. 717- 753.

Cooter, R., "Unity in Tort, Contract and Property: The Model of Precaution", *California Law Review*, 73(1), 1985, pp. 1-51.

Demsetz, H., "When Does the Rule of Liability Matter?", *Journal of Legal Studies*, Vol. 1, No. 1, 1972, pp. 13- 28.

Dixit, A., "The Role of Investment in Entry Deterrence", *Economic Journal*, Vol. 95, 1981, pp. 95- 106.

"The Corporate Contract", *Columbia Law Review*, Vol. 89, 1989, pp. 1416- 1448.

"Mandatory Disclosure and the Protection of Investors", *Virginia Law Review*, Vol. 70, 1984, pp. 717- 753.

Fama, E. F. "Agency Problems and the Theory of the Firm", *Journal of Political Economy*, Vol. 88, 1980, pp. 288- 306.

Friedman, D., "What is 'Fair Compensation' for Death or Injury?", *International Review of Law and Economics*, Vol. 2, No. 1, June 1982, pp. 81- 93.

Hansmann, H., The Economics and Ethics of Markets for Human Organs, Yale Law School Working Paper, 1988.

Jensen, M. C. & Meckling, W. H., "The Theory of Firm, Managerial Behaviour, Agency Costs, and Ownership Structure", *Journal of Financial Economics*, Vol. 3, 1976, pp. 305- 360.

Kennedy, D. "Cost-Benefit Analysis of Entitlement Problems: A Critique of the Externality Concept", *Stanford Law Review*, 33, 1981, 387, 393-400.

Machlup, F., "Characteristics and Types of Price Discrimination", in *Business Concentration and Price Policy*, Princeton University Press, Princeton, 1975, pp. 397-343.

Nelson, P. "Advertising as Information", *Journal of Political Economy*, 1974, pp. 729-754.

Peltzman, S., "Toward a More General Theory of Regulation", Vol. 19, 1976, pp. 211-240.

Philips, L. & Moras, I. M., "The AKZO Decision: A Case of Predatory Pricing?", *Journal of Industrial Economics*, Vol. 41, 1993, pp. 315 - 321.

Posner, A. Richerd, "The Chicago School of Antitrust Analysis", *University of Pennsylvania Law Review*, Vol. 127, 1979, pp. 925- 952.

"A Theory of Negligence", *Journal of Legal Studies*, Vol. 1, No. 1, 1972, pp. 29- 96.

"An Economic Theory of the Criminal Law", *Columbia Law Review*, 1985.

Rose-Akermann,S., "The Economic Analysis of Public Law", *European Journal of Law and Economics*, Vol. 1, 1994, pp. 53- 70.

Sen Amartya, "The Possibility of Social Choice", *American Economic Review*, Vol.89 (3), 1999, pp. 349- 378.

Shavell, Steven "A Model of the Optimal Use of Liability and Safety Regulation", *Rand Journal of Economics*, Vol. 15, No. 2, summer 1984, pp. 271- 280.

"Strict Liability versus Negligence", *Journal of Legal Studies*, Vol. 9, No. 1, January 1980, pp. 1- 25.

"An Analysis of Causation and the Scope of Liability in the Law of Torts", *Journal of Legal Studies*, Vol. 9, No. 3, June 1980, pp. 463- 516.

"Criminal Law and the Optimal Use of Non-monetary Sanctions as a Deterrent, *Columbia Law Review*, Vol. 85, 1985.

Stigler, J. George, "The Economics of Information", *Journal of Political Economy*, Vol. 69, No. 3, June 1961, pp. 213- 225.

"The Theory of Economic Regulation", *Bell Journal of Economics and Management Science*, Vol. 2 (1), 1971, pp. 1- 21.

Wittman, Donald, "Prior Regulation Versus Post Liability: The Choice Between Input and Output Monitoring", *Journal of Legal Studies*, Vol. 6, No. 1, pp. 193-211.

Wright, W. Richard, "Causation in Tort Law", *California Law Review*, Vol. 73, No. 6, 1985, pp. 1735- 1828.

IBEF-B-10: LAW AND ECONOMICS - II

PREAMBLE

The primary aim of this enlargement is to develop greater applied research of legal system from economic view point and also build up the Indian experience based slant to the discipline of “Law and Economics”. This course will provide not only deeper and more complex view of the subject, but also afford to take up meaningful researches in specific type of law that has immense economic bearing and implications. In particular, this course will be dealing with Indian Environmental Laws, land related legislations (including land acquisition, town- planning, SEZ) and corporate laws. This will enable more all-round perspective of the subject with rich empirical analysis. It also deals with vital areas of concern, namely economics of litigation, economic costs of “administering or not administering justice”, question of back-log of cases, alternative procedures of administering justice. Similarly, the economic analysis of law making process, machinery and its efficiency will be a distinguishing feature of this course.

Module 1: Economic Theory of Legislation: Legislative process, Delegated legislation, Precedents, Rules v/s Standard, Interpretation of Statute

Module 2: Economic Analysis of Litigation: Rules of procedure, Rules of Evidence, The adversarial and inquisitorial trial mode, Alternative dispute resolution (ADR), Lok Adalat, Arbitration, Conciliation and mediation, Settlement, Appeals and error correction, Cost of litigation, Case load and Court Delay Crisis

Module 3: Economic approach to Contract law in India: Contract Act, Specific Relief Act, Court approach to formation, validity, performance, interpretation, breach of contract and remedies for breach

Module 4: Economic Approach to Environmental Protection Laws: Environmental protection laws and Court decisions, Principles and doctrines evolved by Supreme Court for protection of Environment, Air pollution, Water pollution, Sound pollution, Automobile and industrial pollution, Climate change, Carbon credits – emerging market

Module 5: Economic Approach to Issues in Land Acquisition Laws: Acquisition of land for public purpose, Acquisition for companies, Purpose and suitability, Market value and compensation

Module 6: Town Planning Laws: Allocation of land – for residential, industrial, commercial, agricultural purposes, Reservation of land for public purpose

Module 7: Special Economic Zones: Concept, Law, Policy and Problems

Module 8: Intellectual Property Rights: Patents, Copyrights, Trademark, Trade secrets, Plant varieties & Farmers’ Rights, Salient features of Indian Laws

Module 9: Economic Analysis of Corporate Law Issues: Formation of a company, share capital and fund raising, Separation of ownership and control, Majority power and minority protection, Corporate governance, Regulation of security markets and protection of investors and SEBI, Management of foreign investment and foreign exchange under FEMA

BASIC READING LIST

- Posner Richard A – Economic Analysis of Law (7th Edition 2007)
- Cooter Robert & Ulen Thomas- Law and Economics (5th Edition 2007)
- Shavel Steven – Foundation of Economic Analysis of Law (2004)
- Harison Jeffrey L. & Theeuwes Jules - Law and Economics (2008)
- Polinsky Mitchell A – An Introduction to Law and Economics (2003)
- Friedman David D. – Law’s Order (2000)
- Wittman Donald A – Economic Analysis of Law- Selected Reading (2003)
- Micali Thomas J – The Economic Approach to Law (2009)
- Hirsch Werner Z - Law and Economics (1999)
- Landes Williams, Posner Richard. – The Economic Structure of Intellectual Property Laws (2003)
- S Shanthakumar’s – Introduction to Environmental Law.

Module wise Reading List.

Module 1: Economic Theory of Legislation –

- Posner: chapters 19, 20.
- Shavel: chapter 25.
- Harison: chapter 24.
- A Model of Optimal Complexity of Legal Rules- Luis Kaplow, Journal Of Law, Economics & Organisation Vol. 11, No. 1 (April, 1995) Pages 150 to 163.
- Codification & Optimal Specification of Legal Rules- Vincy Fon, Francesco Parisi, George Mason University School of Law –Law and Economics working paper, Source of Law and Institutional Design of Law Making.
- Legal Rules and Standards – Hans Bernd Schafer. University of Hamburg, Germany. German Working Papers in Law and Economics Vol. 2002.

Module 2: Economic Analysis of Litigation –

- Posner: chapters 21, 22, 23.
- Cooter: chapter 10.
- Shavel: chapters 17, 18, 19.
- Harison: chapters 22, 23.
- Salient Features of Civil Procedure Code, 1908 and Indian Evidence Act, 1872.

Module 3: Economic approach to Contract law in India –

- Salient features of Contract Act & their analysis applying Law & Economic methodology.
- Specific Performance and Injunctions, Research of decided cases from Law Reporters & analysis of landmark cases decided by Supreme Court & High Courts with economic approach.

Module 4: Economic Approach to Environmental Protection Laws -

- Harison: chapter 4.

Module 8: Intellectual Property Rights –

- Landes and Posner: Patents chapters 11, 12.
- Copyrights: chapters 2 to 6
- Trademark: chapters 7 & 8
- Trade Secrets: chapter 13 and Shavel: chapter 7.

Module 9: Economic Analysis of Corporate Law Issues –

- Posner: chapters 14 & 15, Economic Analysis of Law selected reading Part V.

Additional Reading List.

- Posner Eric A – Chicago Lectures in Law and Economics (2000)
- Posner Richard A – Frontiers of Legal Theory (2001)
- Mulla – Indian Contract and Specific Relief Acts.
- Patent Act, 1970.
- Copyright Act, 1957.
- Trademark Act, 1999.
- P. Narayanan – Intellectual Property Law.
- Cornish & Llewelyn – Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights.
- Protection of Plant Varieties & Farmer’s Rights Act, 2001.
- Indian Companies Act- Salient Features.
- SEBI.
- FEMA.
- Land Acquisition Act.
- Maharashtra Town Planning Act.
- Special Economic Zones.
- Air (Prevention and Control of Pollution) Act, 1981.
- The Water (Prevention and Control of Pollution) Act, 1974.
- The Environment (Protection) Act, 1986 – Rules and Notifications.

IBEF-B-11: BEHAVIOURAL FINANCE

Objectives: This course examines the behavioural strategies that investors rely upon to make decisions, the structure and speculative dynamics of returns in world equity markets (from a psychological perspective), and the practical implications of behavioural finance.

Module 1: Foundations of Behavioural Finance

Financial Decision Making – The Expected Utility Rule – Frames for Actions – Contingencies and Outcomes – Discounting – The Discounted Utility Model – How and Why Discount Rates Vary – Hyperbolic Discounting Factors – Learning – Rational Learning – Over Inference and Law of Small Numbers – Disagreement – Tastes and Capital Asset Pricing Model – Bubbles – Past, Present and Future – Tulipmania and the Didactic Value of Bubbles – Regulatory Origins of the Bubble.

Module 2: Investor Biases

Overconfidence Bias – Representativeness Bias – Anchoring and Adjustment Bias – Cognitive Dissonance Bias – Availability Bias – Self-Attribution Bias – Illusion of Control Bias – Conservatism Bias – Ambiguity Aversion Bias – Endowment Bias – Self-Control Bias – Optimism Bias – Mental Accounting Bias – Confirmation Bias – Hindsight Bias – Loss Aversion Bias – Recency Bias – Regret Aversion Bias – Framing Bias – Status Quo Bias.

Module 3: Asset Pricing under Prospect Theory

Basics of Prospect Theory – Prospect Theory’s Application to Finance – The Cumulative Probability Version of the Prospect Theory – Cumulative Prospect Theory and Asset Pricing – Does Prospect Theory Work

Module 4: Overconfidence and Optimism

A Model of Trading Under Optimistic Investors – Price Setting – Conditions for Overconfident Pricing of the Risky Asset – Pricing in the Odean’s Model – The Implications of Odean’s Model for Financial Markets – Do Investors Trade Too Much? Optimism in Corporate Finance – Facing Failure – Who Dares Loses? – The Hubris Theory of Takeovers.

Module 5: Theories of Overreaction and Underreaction

The DHS Model – A Model of Investor Sentiment – A Unified Theory of Underreaction – Momentum Trading – and Overreaction in Asset Markets - Empirical Findings – Contrarian Investment – Extrapolation and Risk – Evidence on the Characteristics of Cross-sectional Variation in Stock Returns – Momentum – Market Efficiency and Biases in Brokerage Recommendations.

Module 6: The Psychology of Financial Markets

Herding – Models of Herding – Evidence on Herding and It’s Effect – Herding in Investment Advice – Equity Premium Puzzle – Explaining the Risk Premium by Myopic Loss Aversion – Can Loss Aversion Explain the Puzzle? – Is Loss Aversion Irrational – Dividends–The Irrelevance of Dividends to Value – Prospect Theory Explanation of Dividend Payments – Who Pays Dividends and Why?

Module 7: Stock Valuation and Style Investing

Keynes' Beauty of Competition – The (Ir)relevance of Fundamentals – Valuation and Behavioural Biases – Cost of Capital, Factors from Limited Arbitrage – History – Life Cycle of an Investment Style – Value Vs Growth – Risk or Behavioural? – Style Rotation – Potential Gains to Style Rotation – Timing the Switch.

Module 8: Efficient Markets Hypothesis and the Behavioural Finance

Are Financial Markets Efficient – Theoretical and Empirical Foundations and Challenges of EMH – Analysts' Conflicts of Interest – Evidence of Conflict of Interest – Regulating Conflicts of Interest – Insider trading – The Distributional Impact of Insider Trading – The Hirshleifer, Subrahmanyam and Titman Model – Insider Trading – Stock Options and Construction of Earnings – Consequence of Insider Trading for Outsiders.

Reading List:

- Forbes, William, (2011), Behavioural Finance, Wiley- India Edition.
- Shefrin, Hersh, (2005), A Behavioral Approach to Asset Pricing, Elsevier Academic Press.
- Montier, James, (2002), Behavioural Finance- Insights into Irrational Minds and Markets, John Wiley & Sons, Ltd.
- Montier, James, (2007), Behavioural Investing- A Practitioner's Guide to Applying Behavioural Finance, John Wiley & Sons, Ltd.
- Pompian, Michael M. (2006), Behavioral Finance and Wealth Management- How to Build Optimal Portfolios That Account for Investor Biases, John Wiley & Sons, Inc.
- Thaler, Richard H. (2005), Advances in Behavioral Finance- Volume II, Russell sage foundation, New York.
- Shleifer, Andrei. (2000), Inefficient Markets- An Introduction to Behavioral Finance, Oxford University Press.

IBEF-B-12: FINANCIAL ECONOMICS

PREAMBLE

The course on Financial Economics is designed with 3 objectives in mind. Firstly, to familiarize students with the financial system and its components viz. financial instruments, financial institutions, financial markets and financial regulations. Secondly, to familiarize them with contemporary theories about the workings of different financial markets including money market, capital markets (bonds, stocks and hybrids) and derivative markets. Thirdly, familiarize them with the policy and regulatory framework within which financial institutions are required to function.

Module 1: The demand for securities

The time dimension – Present value and duration – The calculation of yields on zero-coupon bonds – The term structure of interest rates – The risk dimension – Measurement of risk. Bivariate distributions–Conditional probabilities and expected values – Estimating the mean and variance of returns – Expected utility.

Module 2: The supply of securities

Regulations governing supply of securities – General characteristics of securities – Government bonds – Index linked bonds – Corporate Securities – equities, bonds, convertible securities –Stock market operations – Money market funds – Claims on financial institutions.

Module 3: Securities markets and their efficiency

Stock exchanges – The over the counter stock market – Operational efficiency and the Efficient Market Hypothesis(EMH) – The weak, semi-strong and the strong form of EMH.

Module 4: The determination of equity prices

Shares as claims on future dividends and on corporate net worth – The Capital Asset Pricing Model (CAPM) – The simplest form – Estimating betas- Implications for portfolio management – Validity of CAPM – Arbitrage Pricing theory. An alternative approach – Stock indices – Bombay Sensitive Index, Bombay National Index, Dow Jones Industrial Index(DJI), New York Stock exchange composite index(NYSE).

Module 5: Security analysis and market efficiency

A modern view of security analysis – Macroeconomic developments and securities markets–Performance of securities markets – Industry growth, structure and firm specific factors- Uses and pitfalls of Price / Earnings ratios.

Module 6: Derivatives

Uses of Derivatives – Futures contracts and futures markets – Forward contracts – The origins of Futures trading – Basic elements and organization of futures contracts.

Module 7: Futures prices

Relation among spot and futures prices – financial futures – commodity futures – Closing out with futures – Hedgers, speculators, market equilibrium – The role of expectations – Futures and portfolio management.

Module 8: Options and option pricing

Institutional aspects – Exchange traded stock options – The pay offs from buying and selling options – Boundary conditions on option prices – The put-call parity theorem – The Black-Scholes formula – Other option models.

Module 9: Swaps, Currency and Interest Rate Swaps

Vanilla Interest Rate Swaps – Swaptions – Other types of swaps – Currency, Equity and Commodity Swaps.

Module 10: Regulation of financial markets

The ethics of finance and the economic function of financial markets – The purpose of regulation – levels of regulation – Securities Contract Regulation Act – Securities and Exchange Board of India (SEBI).

BASIC READING LIST

Chandra, Prasanna (2008), Investment Analysis and Portfolio Management, Tata McGraw Hills
Shapiro, Alan C. (1999), 4th edition, Multinational Financial Management, International McGraw Hills, , Prentice-Hall of India
John Y. Campbell, Andrew W.Lo and A. Graig Mackinlay, (1997) The Econometrics of Financial Markets, Princeton University Press,

ADDITIONAL READING LIST

Module 1, 2 & 3

Houthakkar H.S. and Williamson P.J. (1996), The Economics of Financial Markets, Oxford University Press

Jurgen Echberger and Ian R. Harper (1997), Financial Economics, Oxford University Press

Module 2:

Ross Stephan A. and Rudolph W. Westerfield (1998), Fundamentals of Corporate Finance, McGraw Hill International edition

Module 3 & 4:

Fabozzi (2009), Bond Markets, 7th revised edition, Pearson Publications, USA, February 27

Module 3:

Basu, S., (1977), "The Investment Performance of Common Stocks in Relation to their Price to Earnings Ratios: A Test of the Efficient Market Hypothesis", *Journal of Finance*, 32, pp. 663-682

Fama E.F. (1970), "Efficient Capital Markets: A Review of Theory and Empirical Work", *Journal of Finance*, 25 May, pp. 383-417

Fama, E.F. (1991), "Efficient Capital Markets II", *Journal of Finance*, 46, (December), pp. 1575-617

Module 4:

Graves, Affleck, Hegde, J.S. and Miller, R. (1994), "Trading Mechanisms and the Components of the Bid Ask Spread", *Journal of Finance*, 44, pp. 1471-1488.

Barsky, R. and Long, J. De (1993), "Why Does the Stock Market Fluctuate?", *Quarterly Journal of Economics*, 108, pp. 291-311

Black, F., Jensen, M.C. and Scholes, M.A. (1972), "The Capital Asset Pricing Model: Some Empirical Tests", in M.C. Jensen (ed.), *Studies in the Theory of Capital Markets*, (Praeger, New York)

Fama E.F. and J. MacBeth, (1973), "Risk, Return and Equilibrium Empirical Tests", *Journal of Political Economy*, 71, pp. 607-636

Ross, S.A. (1976), "Arbitrage Theory of Capital Asset Pricing", *Journal of Economic Theory*, 13, pp. 341-60

Module 5:

Markowitz, H. (1952), "Portfolio Selection," *Journal of Finance*, 7: 77-91.

Merton, R. (1980), "On Estimating the Expected Return on the Market: An Exploratory Investigation", *Journal of Financial Economics*, 8, pp. 323-361.

Module 6, 7, 8, 9:

King, David N. (1999), *Financial Claims and Derivatives*, International Thomson Business Press.

Hull John (1998), *Future Options and Other Derivative Securities*, 3rd edition, Prentice Hall International / Hua Xia Publishing House.

Module 7:

Dusak, K. (1973), "Futures Trading and Investor Returns: An Investigation of Commodity Market Risk Premiums", *Journal of Political Economy*, 87, (Nov./Dec.), 1387-1406

Module 8:

Simon Benninga (1997), *Financial Modeling*, MIT Press

Black, I. and Scholes, M. (1973), "The Pricing of Options and Corporate Liabilities", *Journal of Political Economy*, 81, 637-59

Module 10:

Krishan, Bal and Narta, S. S. (1998), *Security Markets in India*, Kanishka Publishers, New Delhi.

ADDITIONAL READING LIST:

- (Basel: BIS, April 1986) "Bank for International Settlements", *Recent Innovations in International Banking*.
- Benjamin M. Friedman H. Hahn (1990) "A formal treatment of the requirements for targets" is available in Benjamin M.

- Friedman, "Targets and Instruments of Monetary Policy," chapter 22 in Benjamin M. Friedman H. Hahn, *handbook of Monetary Economics*, (Amsterdam: North-Holland, 1990).
- Blume, Marshall, E. (June 1975) "Betas and Their Regression Tendencies," *Journal of Finance*, 30, 785-96.
- Cox. Ingersoll, and Ross, "A Re-examination of Traditional Hypothesis," pp. 774-775.
- Culbertson, J.M. (November 1957) "The Term Structure of Interest Rates," *Quarterly Journal of Economics*, pp. 489-504.
- Daniel C. Inro, Christine X. Jaing, Michael Y. Ho, Wayne Y. Lee (May/June 1999) "Mutual Fund Performance: Does Fund Size Matter?" *Financial Analysis Journal*, pp. 74-87.
- Edward S. O'Neal (September/October 1999) "Mutual Fund Share Classes and Broker Incentives," *Financial Analysis Journal*, pp. 76-87.
- Eugene F. Fama (1976) "Forward Rates as Predictors of Future Spot Rates," *Journal of Financial Economics*, 3, no.4, pp.361-377.
- Fama (December 1991) "Efficient Capital Markets II," *Journal of Finance*, 46, 1575-615.
- Fama (December 1998) "Value Growth: The International Evidence," *Journal of Finance*, 53, 1975-99.
- Fama, Eugene, F. (May 1970) "Efficient Capital Market: A Review of Theory and Empirical Work," *Journal of Finance*, 25, 383-417.
- Fisher Black and Myron Scholes (May-June 1937) "The Pricing of Corporate Liabilities," *Journal of Political Economy*, pp. 637-659.
- George, J. Benston (March 1973) "Required Disclosure and the Stock Market: An Evaluation of the Security Exchange Act of 1934," *American Economic Review*, pp. 132-155.
- Harry K. Markowitz, (March 1952) "Portfolio Selection," *Journal of Finance*, pp. 71-91 and *Portfolio Selection: Efficient Diversification of Investments* (New York: John Wiley & Sons, Inc., 1959).
- Irving Fisher (1930) "*The Theory of Interest Rates*" (New York; Macmillan, 1930)
- John C. Cox, Stephen A. Ross, and Mark Rubinstein (September 1979) "Option Pricing: A Simplified Approach," *Journal of Financial Economics*, pp. 229-263.
- Jonathan Ingersoll, Jr., and Stephen Ross (September 1981) These formulations are summarized by Jonathan Ingersoll, Jr., and Stephen Ross. "A Re-examination of Traditional Hypothesis About the Term Structure of Interest Rates," *Journal of Finance* (September 1981), pp. 769-799.
- Keynes, J.M. (1936) "*The General Theory of Employment, Interest and Money*" (New York: Harcourt, Brace & World, 1936)
- Lucas Papademos and Franco Modigliani (1990) "The Supply of Money and the Control of National Income," chapter 10 in Benjamin M. Friedman and Frank H. Hahn (eds.) *Handbook of Monetary Economics* (Amsterdam; North-Holland, Elsevier, 1990), pp. 428-430.
- Lutz, F. (1940-41) "The Structure of Interest Rates," *Quarterly Journal of Economics*, pp. 36-63.
- Marshall E. Blume (April 1970) "Portfolio Theory: A Step Toward Its Practical Application," *Journal of Business*, pp. 152-173.
- Marshall E. Blume and Irwin Friend (March 1973) "A New Look at the Capital Asset Pricing Model," *Journal of Finance* (March 1973), pp. 19-33; and Eugene F. Fama and James

D. MacBeth, "Risk, Return and Equilibrium: Empirical Tests," Working Paper No. 7237, University of Chicago, Graduate School of Business, August 1972.

- Merton, H. Miller (December 1986) "Financial Innovation: The Last Twenty Years and the Next," *Journal of Financial and Quantitative Analysis*, pp. 459-471.
- Merton H. Miller and Myron S. Scholes (1972) "Rates of Returns in Relation to Risk: A Reexamination of Recent Findings," and Fischer Black, Michael C. Jensen, and Myron S. Scholes, "The Capital Assets Pricing Model: Some Empirical Evidence," in Michel C. Jensen (ed.), *Studies in the Theory of Capital Markets* (New York: Praeger Books, 1971)
- Modigliani, Franco, and Miller, M.H. (June 1958) "The Cost of Capital, Corporation Finance and the Theory of Investment," *American Economic Review*, 48, 261-97.
- Richard J. Rendleman and Brit J. Bartter (December 1979) "Two State Option Pricing," *Journal of Finance*, pp. 1093-1110.
- Richard Roll (March 1997) "A Critique of the Asset Pricing Theory: Part I. On the Past and Potential Testability of the Theory," *Journal of Financial Economics*, pp. 139-176.
- Stephen A. Ross (December 1976) "The Arbitrage Theory of Capital Assets Pricing," *Journal of Economic Theory*, pp. 343-362.
- Stephen, A. Ross (July 1989) "Institutional Markets, Financial Marketing, and Financial Innovation," *Journal of Finance*, p.541.
- Stephen A. Ross (March 1980) "Options and Efficiency," *Quarterly Journal of Economics* (February 1976), pp. 75-89; and Fred Arditti and Kose John, "Spanning the State Space with Options," *Journal of Financial and Quantitative Analysis*, pp. 1-9.
- William F. Sharpe (September 1964) "Capital Assets Prices: A Theory of Market Equilibrium Under Conditions of Risk," *Journal of Finance*, pp. 425-442.
- William F. Sharpe (1981) *Investments*, (Englewood Cliffs, N.J.: Prentice Hall, 1981), Chapter 16
- **ADDITIONAL REFERENCES:**
- All India Management Association, *Global Trends in Finance: Opportunities for India*, Excel Books, New Delhi, 1998.
- Damodaran, Aswath (1997), *Corporate Finance, Theory and Practice*, John Wiley and Sons, (Chap. 27, Option Pricing Theory).
- Babbel David F., Andenas M. and Santomoro Anthony (Eds.) (1998), *Financial Markets, Instruments and Institutions*, Irwin/McGraw Hill, Singapore
- Huang, C. And Litzenberger, R., (1988). *Foundations for Financial Economics*, New York, North-Holland.
- Bingham N.H. and Kiesel Rudiger (1998), *Risk-neutral Valuation: Pricing and Hedging of Financial Derivatives*, 2nd edition, Springer-Verlag, London
- Pike, Richard and Neele, Bill (1998), *Corporate Finance and Investment Decisions and Strategies*, Prentice Hall of India
- Somanathan T.V. (1998), *Derivatives*
- Tushar Waghmare (ed.) (1998), *Future of India's Stock Markets*, Tata McGraw Hill, New Delhi

IBEF-B-13: INTERNATIONAL MARKETING

Objective: The aim of this paper is to help the students understand the peculiarities of international marketing and develop students' ability to devise marketing mix for international marketing.

Unit 1: International Marketing: Environment, Features and Participants.

- 1.1 Global Economy
- 1.2 Global Interdependence, International Markets, Markets for goods and services, Size, Factors affecting Growth of Markets and Benefits of International Marketing
- 1.3 Participants in International Markets: Private Sector, MNCs, Export Management Companies, Multinational Banks and Insurance Companies
- 1.4 Factors affecting International Marketing: Like Culture, Politics and Law
- 1.5 Regional Integration and Protectionism
- 1.6 International Monetary System and World Trade

Unit2: International Market Segmentation and Positioning: Screening and selection of markets; International market entry strategies - Exporting licensing contract manufacturing, Joint ventures, setting -up of wholly owned subsidiaries abroad.

International Product Planning: Major Product decisions-Product features and quality, Product design, labeling, packaging, branding and product support International trade product life cycle; New product development

Unit 3 International Marketing Management

- 3.1 Policies regarding Products, Their position, Standardization, Adaptation, Brand, Trade Marks etc,
- 3.2 International Marketing of Services and Technology
- 3.3 Promotion Policy: Advertising and other types of Promotion: International Advertising: Major aspects, Developing International Advertising Strategy and Management of Advertising Function International Sales Forces and Their Management International Advertising Research

Unit 4 Distribution Channels and Policy:

- 4.1 Managing International Distributional Channels Choice of Distributional Channels in different Markets, their roles and functions, Multinational Wholesalers and Retailers
- 4.2 Export Pricing -Tax incentives, Foreign Trade Zones and Exports
- 4.3 Aspects of International supply chain management, International distribution logistics inventory management transportation
- 4.4 Warehousing and Insurance, International direct marketing, leveraging international distribution for competitive advantage

Unit 5: Pricing for International Markets: Pricing strategies; Factors affecting international price determination; environment factors affecting international prices; International pricing

process and policies; Delivery terms and currency for export price quotations: Transport pricing. International dumping. Financing marketing transactions.

Unit 6: International Marketing: Organization, Planning and Control

6.1 International Marketing Strategy and Entry Methods

6.2 International Marketing Information:

6.3 Surveys and cross Research, National Consumer Research and Export Marketing Research.

Suggested Readings:

1. International Marketing by V.H. Kriplani.
2. International Marketing Concepts, Techniques and Cases by Saxena and Kapur.
3. International Marketing by J. M. Hess and P.R. Catecora.
4. International Marketing Management by Miracle and G.S. Albaum.
5. International Marketing Analysis and Strategy by John Shaw
6. Onkvisit Sak and John J Shaw, International Marketing - Analysis and Strategy, PHI, New Delhi
7. Joshi, Rakesh Mohan, International, Marketing, Oxford University Press, New Delhi
8. Rajgopal, International Marketing, Vikas Publication, New Delhi

IBEF-B-14: LINEAR ECONOMICS – I

Preamble

This course exposes students to developments in economic theory that have been inspired by the classical economists like Adam Smith and David Ricardo. The course begins by an exposition of the fallacies in the neo-classical theories of value and distribution and the limitations of standard general equilibrium theory. It then proceeds to cover input-output analysis and its empirical applications. Finally it covers alternatives to the neo-classical theories such including the Kaldor Pasinetti theory of income distribution and the Sraffa and Von Neumann models. Finally an alternative general equilibrium model is covered which determines prices, outputs, growth and income distribution.

Model 1

Critique of Mashall's theory of supply based on the law of variable proportions. Critique of the marginal productivity them. Critiques of neo-classical production functions.

Module 2

Economy as a Circular Flow. Static closed and open input output models. Hawkins-Simon conditions. Construction of Input-Output tables. Some applications. Dynamic input-output analysis.

Module 3

The Von Neumann model. The Sraffa system and its properties Standard Commodity. Reduction to dated labour.

Module 4

Alternative theories of income distribution. The Kaldor Pasinetti model and its developments.

Module 5

Closure for the Sraffa system. An alternative general equilibrium model and its empirical relevance.

Reading List:

Books:

Hadley, G(1961), Linear algebra, Addison-Wesley Massachusetts

Namboodiri, Krishnan (1984), Matrix algebra: An introduction, Sage publication, Volume -38

Lipachutz, Seymour, Linear Algebra ,Third Edition, Schaum Outlines Series

Shanti, Narayan, Lipson Marc (2002), A text book of matrices, Schaum Outlines Series.

Bellman, Richard (1970), Introduction to matrix analysis, 2nd edition, McGraw-Hill, New York, NY.

Mills, Gordon (1970) Introduction to linear Algebra, Aldine Pub. Co. (Chicago).

Mathur, P.N. & Bharadwaj, R (1968), Economic Analysis in Input Output Framework with Indian Empirical Explorations, Vol. 1. Input Output Research Association, India.

Dorfman R., Samuelson P., Solow R. (1958), Linear programming & economic analysis, McGraw-Hill New York.

Saluja M.R. (1981), Input-output tables for India, John Wiley & Sons (Asia) Pte Ltd.

Yan, Chiou Shaung (1969), Introduction to -Input-output economics, Holt, Rinehart, and Winston

Mathur & Venkatramaiah (1969), Economic analysis in input and output framework, Vol. II, Input Output Research Association.

Kundu, A.(1976), Input-output framework and economic analysis, (1st edition) K. B. Publications, New Delhi

Leontief (1986), Input-output economics (2nd edition), Oxford University Press

Leontief, W.W., Structure of American economy 1919-1939 (third edition), Oxford University Press, New York.

Brody, Andras (1970), Proportions, prices and planning North-Holland Pub. Co. Budapest, Amsterdam

Carter & Brody (1972), *Applications of Input-output analysis*, North Holland/Elsevier, Amsterdam United Nations, Input-output and analysis

Bulmer, Thomas (1982), *Input-output analysis in Developing countries*, (2nd edition) John Wiley & Sons Ltd. pp. XI—XII. New York.

Koti K. K. and Hashim S. R. etc. (1996), *Studies in Indian economy*, Himalaya Publishing House, Mumbai.

Kundu, Amitab & Mathur P.N (1976), *Dynamic Input-output analysis* K.B. Publication.

Mathur P.N. & Bharadwaj R. (1968), *An application with dynamic Input-output model for planning*

Mathur P.N. & Kulkarni A.R. etc., *An inter industry capital coefficient Matrix for India*

Sraffa, Piero (1960), *Production of commodities by means of commodities* Cambridge University Press, Cambridge.

Kurz, H. and Salvadori, N. (1995), *Theory of Production: A Long Period Analysis*, Cambridge University Press, Cambridge.

Bharadwaj, K. and Schefold, B. (eds.) (1990), *Essays on Piero Sraffa*, Cambridge University Press, Cambridge.

Roncaglia, A. (1978), *Sraffa and the Theory of Prices*, Chichester, John Wiley and Sons.

Parchure, R. (1989), *The Pure Theory of Value: The Times Research Foundation* Pune.

Pasinetti, L.L. (1977), *Lectures on the theory of production: Mathematical appendix*, New York, Columbia University Press.

Koopmans, T.C. Ed. (1951), *Activity analysis of production and allocation*, John Wiley & Sons, New York.

Arrow, K.J (1978) 'Cost Theoretical and Demand Theoretical Approaches to the Theory of Price Determination" in *Collected Papers of Kenneth J. Arrow*, Vol. 2, North-Holland, Amsterdam.

Blaug, M. (1974) "*The Cambridge Revolution: Success or Failure*," London: Institute of Economic Affairs.

Bharadwaj, K. (1970) "On the Maximum Number of Switches between Two Production System," *Schweizerish Zeitschrift Fur Volkswirtschaft und Statistic*, Vol. 106.

Dumenil, G. and D. Levy (1985) "The Classics and the Neoclassicals: A Rejoinder to Frank Hahn", *Cambridge Journal of Economics*, 9: 327-45.

Eatwell, J. (1979) *Theories of Value, Output and Employment*, London: Thames Polytechnic; as repr. In Eatwell, J. and M. Milgate (eds) *Keynes's Economics and the Theory of Value and Distribution*, London and New York: Duckworth and Oxford University Press, 1983.

Eatwell, J. and M. Milgate (eds) (1983) *Keynes's Economics and the Theory of Value and Distribution*, London and New York: Duckworth and Oxford University Press.

Fabio Petri (1999) "Hahn on the 'Neo-Ricardian' Criticism of Neoclassical Economics", in the Value, Distribution and Capital eds. Gary Mongiovi and Fabio Petri, pp. 19-68, London.

Garegnani, P. (1970) "Heterogeneous Capital, The Production Function under Theory of Distribution" *Review of Economic Studies*. Vol.

Garegnani, P. (1990) "Reply" in Bharadwaj K. and B. Schefold eds. *Essay on Piero Sraffa, Critical Perspectives on the Revival of Classical Theory*, Oxford University Press, Oxford.

Hahn, F.H. (1975) "Revival of Political Economy: The Wrong Issues and the Wrong Argument" *Economic Record*.

Article:

Hahn, F.H. ((1982) "The Neo Ricardians", *Cambridge Journal of Economics*, Vol.6.

Harcourt, G. C. (1969) "Some Cambridge Controversies in the Theory of Capital", *Journal of Economic Literature*, 7:369-405.

Harcourt, G. C. (1972) *Some Cambridge Controversies in the Theory of Capital*, Cambridge: Cambridge University Press.

Hayek, F.A. (1931) *Prices and Production*, George Routledge, London.

Hayek, F.A. (1932) "Reply" *Economic Journal*.

Hawkins D. and H. Simon (1949) "Note: Some Conditions of Macroeconomic Stability." *Econometrica* Vol.17.

Kahn, R.F. (1959) "Exercises in the Analysis of Growth, " *Oxford Economic Papers*, Vol. II.

- Kaldor, N. (1956) "Alternative Theories of Distribution," *Review of Economics Studies*, Vol. 23.
- Kalecki, M. (1953) *Studies in Economic Dynamics*, Allen and Unwin, New York.
- Keynes, J.M. (1936) *The General Theory of Employment Interest and Money*, Macmillan and Co., London.
- Leontief, W.W. (1941) *Studies in the Structure of the American Economy*, Harvard University Press, Cambridge, Mass.
- McKenzie, L.W. (1954a) "On Equilibrium in Graham's Model of World Trade and other Competitive Systems," *Econometrica*, Vol.21.
- McKenzie, L.W. (1954b) "Specialization and Efficiency in World Production," *Review of Economic Studies*, Vol.21.
- McKenzie, L.W. (1955a) "Specialization in Production and the Production Possibility Locus," *Review of Economic Studies*, Vol. 23.
- McKenzie, L.W. (1960) "Matrices with Dominant Diagonals and Economic Theory" in Arrows K.J., S. Karlin, P. Suppes (eds.1960) *Mathematical Methods in the Social Sciences*, Stanford University Press, Stanford.
- Meade J.E. (1963) "The Rate of Profit in a Growing Economy." *Economic Journal*. Vol.73.
- Morishima, M. (1958) "Prices, Interest and Profit in a Dynamic Leontief System," *Econometrica* Vol. XXV.
- Pasinetti, L.L. (1962) "Rate of Profit and Income Distribution in Relation to the Rate of Economic Growth," *Review of Economic Studies*, Vol.29.
- Pasinetti, L.L. (1978) *Lectures on the Theory of Production*, Macmillan, London.
- Robinson Joan (1956) *The Accumulation of Capital*. London: Macmillan.
- Roncaglia, A. (1979) *Sraffa and the Theory of Prices*, John Wiley, Chichester.
- Samuelson, P.A. (1990) "Revisionist Findings on Sraffa" in K. Bharadwaj and B. Schefold (eds. 1990) *Essay on Piero Sraffa*, Oxford University Press, Oxford.
- Samuelson, P.A. and F. Modigliani (1966) "The Pasinetti Paradox in Neoclassical and More General Models," *Review of Economic Studies*.

Sraffa, P. (1960) *Production of Commodities by Means of Commodities*, Cambridge University Press, Cambridge.

Steedman, I.(1977) *Marx after Sraffa*, New Left Books, London.

Stone, J.R.N. (1954) "Linear Expenditure Systems and Demand Analysis; An Application to the Pattern of British Demand," *Economic Journal*, Vol.164.

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Von Neumann J. (1945-46) "A Model of General Economic Equilibrium." *Review of Economic Studies*. Vol.13.

Whitin, T.M. (1953) "Classical Theory, Graham's Theory, and Linear Programming in International Trade," *Quarterly Journal of Economics*, Vol.67.

IBEF-B-15: LINEAR ECONOMICS – II

Preamble

This course is a continuation of Linear Economics – I whose purpose is to expose students to alternative theories of international trade and to monetary general equilibrium theory.

Module 1

Critique, of the Heckscher-Ohlin-Samuelson trade model. ‘Twoness’ in trade theory. Non-viability of reduction of reality to 2 x 2 x 2 models. Critique of exchange rate theories: the demand supply diagram, the purchasing power parity theory, etc.

Module 2

Frank D. Graham’s theory of multicountry multicommodity trade. Extensions of the theory to tariffs, intercountry transfers and taxation. Trade in intermediate and final goods.

Module 3

Money in General Equilibrium Theory: Patinkin’s Findings of Arrow, Clower, Hahn, Ostroy. Keynesian Counter revolution. Essentiality of Money of in the real world.

Module 4

The Static Keynesian economy with money. Critique of -ISLM model. Possibility of unemployment equilibrium. Fiscal Policy. General ineffectiveness of monetary policy instruments including TARP, etc.

Module 5

Dichotomy in the theories of the level and theories of the term structure of interest rates. Integrated model of the level and structure of spot interest rates.

Module 6

The dynamic Keynesian economy with money and several financial assets. General disequilibrium. Role of fiscal and monetary policies.

Reading List:

Books:

Graham, F. D. (1948), *The theory of International Values*; Princeton University Press

Parchure, Rajas (1994), *The Theory of International Values*, Wiley Eastern, New Delhi

Article:

McKenzie, L.W. (1954), "On Equilibrium in Graham's Model of World Trade & Other Competitive Systems," *Econometrica*, 22, pp. 147-161 April

McKenzie, L.W. (1954b), "Specialization & Efficiency in World Production," *Review of Economic Studies*, Vol-21, pp. 166-167.

McKenzie, L.W. (1955-56), "Specialization in Production & the Production Possibility Locus," *Review of Economic Studies*, Vol. 23, pp. 56-57

Jones, R. W. (1977), "'Twoness' in Trade Theory: Costs & Benefits" *Special Papers in International Economics* 12. International Finance Section, Princeton.

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Jones, R. W. (1976) "'Twoness' in the Trade Theory: Costs and Benefits" in R.W. Jones (1979), *International Trade: Essay in Theory*, North.

Arestis P. and M. Sawyer (2010) "The Return of Fiscal Policy" *Journal of Post-Keynesian Economics*, 32, 327-46.

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Bewley, T. 1980. "The optimum quantity of money", in: J. Kareken and N. Wallace, eds., *Models of monetary economics*. Minneapolis: Federal Reserve Bank of Minneapolis.

Black, F. 1974. 'Uniqueness of price level in monetary growth models with rational expectations', *Journal of Economic Theory*, 7: 53-65.

Brock W. 1974. 'Money and growth: The case of long-run perfect foresight', *International Economic Review*, 15: 750-777.

Brody, A. 2000. 'The Monetary Multiplier ', Vol. 12, No. 2, pp. 215-219, *Economic System Research*.

Chick, V. 1973. *The Theory of Monetary Policy*, 1st edn, Oxford: Blackwell.

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Clower, R. 1967. 'A reconsideration of the micro-foundations of monetary theory', *Western Economic Journal*, 6: 1-9.

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IBEF-B-17: CORPORATE FINANCE AND CAPITAL BUDGETING

Objectives: The course aims at providing understanding of capital budgeting techniques, the advantages of using Net Present Value versus Internal Rate of Return to calculate the value of financing decisions or projects, when and how to use payback periods and risk analysis to rank financing decisions, identify the formulas for calculating cash flows resulting from investments and their use to determine the profitability of a financing decision or project for a business.

In terms of corporate finance best practices, students will also learn about the financial and strategic basis for financing decisions, various public and private techniques and products available for both short term and long term financing, techniques for cash flow management, forecasting and planning, and best practices of cash flow management as it applies to real life examples.

Contents:

Module 1: Introduction

Finance Manager's Role – Separation of Ownership and Management Objectives of the Firm and Corporate Governance – Financial Statements and Cash Flow – Financial Statements Analysis and Long-Term Planning

Module 2: Working Capital Management

Working Capital Components – Leverage – Cash management – Receivables Management – Inventory Management – Financing Current Assets – Regulation of Bank Finance.

Module 3: Capital Budgeting

Measures of Investment - Choice Investment and Financing Decisions – Time Value of Money – Net Present Value – Internal Rate of Return – Discounted Payback Period – Cost of Capital – Selection of Criteria Risk, Return and Opportunity Cost of Capital Valuation of Bonds and Common Stock Scenario Testing and Sensitivity Analysis Strategy V Investments – Practical Problems in Budgeting – Agency, Compensation and Performance Measure.

Module 4: Patterns of Financing

Internal Funds – Common Stock – Debt – Financial Markets/Institutions – Issue of securities – Venture Capital – Initial Public Offering – Security Sales and Auctions – Private Placements and Public Issue Junk Bonds.

Module 5: Capital Structure & Financing of Long Term Capital

Planning Capital Structure – Capital Structure Choice Extended Probabilistic Analysis – Dividend Payout Policies – Share Valuation – Sources of Long Term Capital – Debt Securities – Debt Policy and Leverage Risk Management.

Module 6: Use of Derivatives and Corporate Finance

Options and Corporate Finance – Options and Corporate Finance: Extensions and Applications – Warrants and Convertibles – Derivatives and Hedging Risk.

Reading List:

- Ross, Stephen, Westerfield, Randolph, Jaffe, Jeffrey (February 2002), Corporate Finance, 6th Ed., McGraw-Hill Companies.
- Berk, Jonathan, and DeMarzo, Peter (2007), Corporate Finance, Pearson International.
- Brealey, R.A., Myers, S.C. and Allen, F. (2003), Principles of Corporate Finance, 7th Ed, McGrawHill.
- Copeland, T., Weston, F., and Shastri, K. (2004), Financial Theory and Corporate Policy, 4th Ed., New York: Addison-Wesley.

IBEF-B-18: STRATEGIC FINANCE & INVESTMENT BANKING

Objectives: The objectives of this course are to provide a comprehensive background of financial restructuring and mergers and acquisitions. The course aims at imparting a strong conceptual foundation in investment banking with focus of various modelling techniques like cash-flow, LBO modelling and mergers and acquisitions modelling, it also provides an understanding of investment banking processes and best practises. The focus is on strategic perspectives, valuation methods and financing structures.

Contents:

Module 1: Valuation Concepts for Mergers and Acquisitions: Valuation and Pricing of a company – Modes of Valuation Earnings basis Asset basis Discounted Cash Flows (DCF) DCF valuation, and frequently encountered errors in practical implementation – Return on Investments (ROI) – Return on Equity (ROE) – Estimating synergy values – Relative Valuation

Module 2: Broad Overview of Financial Restructuring: Changing shape of the corporates Forms of Business Alliances – Strategic Choice of Type of Business Alliance – Merger and Acquisition and Takeover – Introduction to restructuring problems – Types of mergers – Reasons for Mergers and Acquisitions: Vertical, Horizontal, Conglomerate, Concentric Mergers – Circumstances in which financial restructuring takes Place - Factors Governing the M&A Process in India - Developments in the competitive environment History of Mergers – The first to the fourth wave and causes thereof

Module 3: Mergers & Acquisitions- Strategic Perspectives: The different motivations for business acquisition – The principles of acquisition search – SWOT Analysis of the company Identification of the Target Company – Due Diligence Inquiry Selection of methods for merger or takeover Procedures and Processes in an M&A – Step-by-step approach Defining and Selecting Target – Pricing of Mergers (Pricing the Competitive Bid for Take-over) – different forms of M&A activity – Negotiation/Approach for Merger – Acquisition and Take-over Contracting – Implementation of Merger and Acquisition – M&A statistics Managing Post-Merger Issues – Winner’s curse Ethics in M&A.

Module 4: Merger (Acquisition) Modelling: Uses for a Merger Model – How to build a Merger Model – Calculation of Equity Value and Purchase Price – Explanation of Consideration used in Purchase (stock, cash, assumed debt) – Discussion of Multiples Paid – Post-Merger Control Issues – Synergies and pre-tax Synergies required to breakeven – Revenue and EBITDA contribution – Proforma Income Statement – EPS Dilution for Acquirer – Discussion of Goodwill – Other accounting treatment issues – Sensitivities.

Module 5: Complete LBO Modelling: Uses for An LBO Model on Sell-side and Buy-side – Review of LBO Model Structure – Purchase Price Calculations and Considerations – Capital Structure Options / Reviews – Discussion of Typical Financing Sources for LBO – Creation of a Sources and Uses Worksheet – Proforma Income Statement, Balance Sheet, Cash Flow – Goodwill Calculation – Integration of Income Statement, Balance Sheet, Cash Flow – Debt and Interest

Schedule –Revolver and mandatory / option debt prepayment and impact on returns – Returns Analysis - IRR on debt, hybrid instruments and equity investments.

Module 6: Investment Banking Process and Best Practices: Conclusion of Financial Modeling – Investment Banking Process – M&A and Private Placement – Investment Bank – Industry Overview – Market Overview – Client – Valuation– Process – Buyer/Investor Descriptions – Financing – Investment Bank – Industry

Reading List:

- Weston, Fred, Mitchell, Mark L. and Mulherin, Harold (2004), Takeovers, Restructuring, and Corporate Governance, 4th Ed. Pearson.
- Reed and Reed Lajorex (1999), The Art of Mergers & Acquisitions, McGraw Hill.
- S. Ramanujam (2000), Mergers et al., Tata MacGraw Hill.
- Sridharan and Pandian (2002), Guides to Takeover and Mergers, Wadhava Publications.
- Weston, Sen and Johnson (2003), Takeovers, Restructure and Corporate Governance, Prentice Hall.
- Gaughan, Peirick A. (2003), Mergers, Acquisitions and Corporate Restructuring, John Wiley & Sons.
- Liaw, K. Thomas (1999), The Business of Investment Banking, J. Wiley & Sons.
- Fleuriet, Michel (2008), Investment Banking Explained: An Insider's Guide to the Industry, McGraw-Hill.
- Joshua, Rosenbaum, Joshua, Pearl (2009), Investment Banking: Valuation, Leveraged Buyouts, and Mergers & Acquisitions, Wiley Finance.
- Stowell, David (2010), An Introduction to Investment Banks, Hedge Funds, and Private Equity: The New Paradigm, Elsevier

IBEF-B-19: FINANCIAL RISK MANAGEMENT

Objectives: The objective of this course is to introduce financial risk management concepts and techniques that are widely used. The focus is on market risk and credit risk. The course covers the conceptual understanding and practical methods of risk identification, assessment and measurement. It also covers the risk management and control applications with real world examples. By the end of the course, students should be able to use risk measurement techniques and interpret risk profile of a firm.

Content

Module 1: Introduction to Financial Risk Management

Terminologies/Basic tenets of risk management, The meaning of risk, Types of risks – Market, Credit, Operational, Reputational, Legal & Compliance risks, like *fixed income, foreign exchange, credit and equity*. Risk Identification and assessment need to quantify their risk- For example Capital allocation, Economic Capital Vs Regulatory Capital, implementing suitable risk management strategies etc. ,Overview of risk management process Risk measurement Risk management/control Continual monitoring and feedback, Importance of Management Information Systems (MIS) reporting ,Requirement of Regulatory level risk reporting, Overview of various banking regulations having a bearing on the financial institutions including inter-alia: Basel, CRD IV, Dodd-Frank, Ring-fencing etc.

Module 2: Market Risk- Risk identification and assessment

Analysis of the organization's portfolio and reviewing the asset classes which form a part of this portfolio. Identity the risk factors (eg: interest rate, inflation, equity prices etc.) pertaining to each of the asset classes in the portfolio. Study/Analyse the factors (eg: market liquidity, transaction costs, counterparty risk etc.) which have to be looked into before making the decision to hedge an exposure, Mean variance framework for an organization's portfolio risk, Importance of normal distribution in finance, set correlations and their contribution to portfolio risk, Relation between the increasing number of assets and its contribution to reduction of portfolio un-systematic risk.

Module 3: Market Risk - Risk measurement

Risk measurement parameters commonly used/monitored in market risk management: Portfolio Beta, PV01, Portfolio duration (Macaulay duration, modified duration, effective duration),Key rate duration, Convexity, Spread analysis (Z-spread, Option adjusted spread),Yield curve analysis (concepts of bootstrapping of the yield curve), forward rates, Growing importance of OIS curve. Introduction to modelling in MS Excel: construction of the zero curve, forward rates, basis adjustments to swap curves etc.

Module 4: Volatility and Market risk measurement models

Understanding volatility, Definition and insight into portfolio volatility, Volatility smiles, Introduction to volatility surfaces, Popular methods to measure portfolio volatility followed in the financial industry, Concept of Value at Risk, Types of VaR measures (VaR, incremental VaR, stressed VaR, etc.) Methodologies for measurement of VaR: Variance-Covariance VaR, Historical

VaR, Monte-carlo VaR, Calculation of a portfolio VaR, VaR reporting to RBI, Measuring risk using Value-at-Risk, Marginal and relative VaR, Stress testing and back-testing VaR, Conditional VaR and its relevance, Comparison between VaR and cVaR.

Module 5: Extreme Values, Quantiles, and Value at Risk

Value at Risk, Risk Metrics, Econometric Approach to VaR Calculation, Quantile Estimation, Extreme Value Theory, Extreme Value Approach to VaR, New Approach Based on the Extreme Value Theory,
VIX –Theory and Application

Module 6: Market Risk - Market Risk Management/Control

Role of derivatives in market risk management, Forward contracts Futures contracts Options contracts Swaps contracts Using interest rate derivatives (Cap, Floor, Collar etc.) Greeks Analysis: Definitions of various Greeks Greeks measurement and analysis (Delta, gamma, theta, rho) Concept of delta hedging using options, introduction to gamma hedging and vega hedging

Module 7: Credit Risk

Risk identification and assessment: Introduction to credit risk, Credit risk management process, Risk measurement: Credit risk management strategies – Credit VaR, Analysis of counterparty credit ratings and adjustment of credit spreads in the valuation etc., Market Risk management/control: Introduction to Credit Value Adjustments (CVA) in financial instrument valuations, Credit default swaps (CDS), collateral management

Module 8: Continual monitoring and feedback for market and Credit Risk Management:

Overview of organizational level policies/procedures, Internal risk reporting, Regulatory risk reporting, Typical MIS reporting in an organization

Reading List:

- Financial Risk Management: Frank J Fabozzi.
- Financial Risk Management: A Practitioner's Guide to Managing Market and Credit Risk By Steve L. Allen
- Advanced Financial Risk Management: Tools and Techniques for Integrated Credit Risk and Interest Rate Risk Management (Wiley Finance) by Donald R. Van Deventer, Kenji Imai & Mark Mesler

IBEF-B-20: Introduction to Game Theory

Objective: This course aims to familiarise students with the basics of both non-cooperative and cooperative game theory, alongside a plethora of real-life applications. This course is balance between abstract mathematical calculations and their application to real-life situations to cater to audiences with multiple backgrounds.

Module 1: Introduction

Introduction and uses of game theory, the normal form, payoffs, dominant strategies

Module 2: The Nash Equilibrium

Pure and mixed strategy Nash Equilibrium – existence, properties and applications

Module 3: Finite Two-Player Games

Basic definitions, finite zero-sum two-player games, Nash Equilibria in finite two-person games

Module 4: Extensive Form Games

Extensive form (trees), Strategic Form, backward Induction, subgame perfect Nash equilibrium, introduction to imperfect-information games

Module 5: Repeated Games

Repeated prisoners' dilemma, finite and infinite repeated games, folk theorems for Nash equilibrium

Module 6: Games of Incomplete Information

Bayes-Nash equilibrium, signaling games

Module 7: Introduction to Cooperative Games

Introduction to TU-games, core, Shapley Value, Nucleolus

Reading List:

1. Game Theory, by Fudenberg and Tirole, 1st Edition, MIT Press
2. Thinking Strategically: The Competitive Edge in Business, Politics, and Everyday Life (Norton Paperpack), Dixit and Nalebuff
3. Games of Strategy, Dixit, Skeath et al, W.W. Norton and Co., 2020
4. Games and Decisions, Luce and Raiffa, Dover Publications
5. Collected Papers, Vol. 1, Robert J Aumann

Foreign language (French/German/Japanese/Chinese/Spanish)

Unit 1: Salutations

- 1.1 To greet the people and say Good afternoon, Good Evening, Goodbye, ask name and say your name, seek clarification and help, numbers from 1 to 10
- 1.2 To say where you live. Describe your house and members of your family. Weights and Measures, length & breadth, use of decimal system, area and volume. Cardinal numbers & Ordinal Numbers.
- 1.3 Ask and give personal information, Nationality, profession and language, Numbers from 11 to 50. To ask time by clock and by span, days of the week, months of the year.

Unit 2: Conversation Skills:

- 2.1 To ask and express interests, Preferences; likes and dislikes; to invite, to accept the invitation or to politely decline the invitation; hobbies and how to spend your leisure.
- 2.2 To talk about the weather; to talk about the daily personal routine and related activities. Seasons & holidays in France/Germany/Japan. Introduction to letter writing and email writing.
- 2.3 To talk about clothing, size colour, material. Purchase at a super market, modes of payment. To name and explain human body to express common bodily ailments (fever, headache etc)

Unit 3: Geographical Description

- 3.1 Country, location on the world map, borders and neighboring countries, ports and industrial towns.
- 3.2 Information and clarification of places. Asking for directions to the public places. Modes of Transport, Numbers 51 to 1000.

Unit 4: Business

- 4.1 Visit to a restaurant, to express agreement/disagreement; to ask for price/quantity
- 4.2 To ask about personal past events, to narrate personal experience, to comprehend difference between letters like Personal/Business Letters, telegram & e- mail; formats of Letter head and e mail.
- 4.3 To talk about/express future actions, to plan a business trip with related requirements: hotel, tickets, car, Rent a car, places to visit, traffic signs etc. Documents required like Passport, International Driving license, Insurance cover etc.
- 4.4 Vocabulary relating to the Transactions at the Post office, Bank, Insurance Company – personal, health, accident, marine... equivalent terms of transaction – fob, c.i.f, f.a.s, payment through Letter of credit. Etc.

Grammar: Future tense, imperfect tense, degrees of comparison, imperative mood. Script, Letters of alphabet, accents, sounds of groups of letters, punctuation marks, articles, nouns, sing./Pl, genders; mas. /fem. Structure of sentences & types like affirmative, negative interrogative & negative interrogative, Verbs: classes of verbs and conjugation patterns, Pronominal verbs; Present tense, The idea of auxiliary verb; prepositions; pronouns- subject, interrogative, relative, possessive, emphatic; adjectives, adverbs
