

Course Unit Title	Monetary Economics		
Course Unit Code	AFME325		
Type of course unit	Business Elective		
Level of course unit	Bachelor (1 st Cycle)		
Year of Study	3-4		
Semester when the unit is delivered	6-7		
Number of ECTS credits allocated	6		
Name of lecturer(s)	Dr. Petia Tanova		
Learning Outcomes of the course unit	<p>By the end of the course, the students should be able to:</p> <ol style="list-style-type: none"> 1. Examine the nature and structure of the financial system 2. Differentiate the flow of funds between savers and borrowers and identify how financial intermediaries assist the transfer of funds from lenders to borrowers 3. Estimate various interest rates such as current yield, yield to maturity, coupon, and rates of return using actual country data 4. Analyze money markets and their relation to the interest rates, GDP, investment and inflation 5. Explain the various transmission channels of monetary policy, and assess its impact on economic activity in an open economy. 6. Examine the nature and operation of the Central Banking 7. Compare and contrast different theoretical approaches to monetary policy 8. Explain and apply the IS-LM model to the assessment of macroeconomic policies 9. Measure and determine foreign exchange rates, analyse fixed and floating exchange rate mechanisms 		
Mode of Delivery	Face-to-face		
Prerequisites	ABSE204	Co-requisites	NONE
Recommended optional program components	NONE		
Course Contents	<p><i>I. Financial instruments, markets and institutions</i></p> <p>Financial institutions. Financial instruments and markets (bonds, stocks,</p>		

	<p>mortgages, derivatives).</p> <p>Financial intermediaries: purpose and profile. Banking vs. non – banking financial institutions.</p> <p>II. Interest rate measurement and behaviour</p> <p>Calculating interest rates (simple, compound, coupon, current yield, yield to maturity, zero coupon). The bond market. Inverse relationship between yields and bond prices, long term versus short term, nominal versus real, annual versus yield to maturity. Factors, determining the level of interest rates (supply and demand, inflationary expectations, cyclical and long term trends).</p> <p>III. Central banking</p> <p>The nature and the functions of the Central Bank. The Central European Bank vs. National Central Banks. The Central Bank of Cyprus. The issue of central bank independence.</p> <p>IV. Monetary theory</p> <p>Classical economics. The quantity theory of money. The Cambridge school. The Keynesian framework vs. monetarism and new classicists. Instruments and effectiveness of monetary policy. Money multiplier vs. deposit multiplier.</p> <p>V. The IS-LM model</p> <p>Assumptions of the IS-LM model. Equilibrium in the money market and the LM curve. Equilibrium in the real sector and the IS curve. IS-LM analysis and policy effectiveness.</p> <p>VI. Understanding foreign exchange</p> <p>The foreign exchange market. Factors, determining foreign exchange rates fluctuations. Fixed versus floating exchange rates systems. The impact of foreign exchange fluctuations on economic activity.</p>
Recommended and/or required reading:	
Textbooks	<ul style="list-style-type: none"> Frederic S. Mishkin (2016) Economics of Money, Banking, and Financial Markets, 11th edition, Pearson
References	<ul style="list-style-type: none"> Godley W. and M. Lavoie (2012) Monetary Economics: An Integrated Approach to Credit, Money, Income, Production and Wealth . Palgrave Macmillan. Ritter, L. Silber, W. and Udell, G. (latest edition) Principles of Money, Banking & Financial Markets, Prentice Hall
Planned learning activities and teaching methods	<p><i>Ex cathedra</i> lectures and discussions in class, by means of traditional tools or using computer demonstrations. Some of the key issues are revealed on the basis of simulation games.</p> <p>Auditory exercises, where examples regarding matter represented at the lectures, are solved and further, questions related to particular open-ended topic issues are compiled by the students and answered, during the lecture</p>

	<p>or assigned as homework.</p> <p>Topic notes are compiled by students, during the lecture which serve to cover the main issues under consideration and can also be downloaded from the lecturer's webpage. Tutorial problems are also submitted as homework and these are solved during lectures or privately during lecturer's office hours. Further literature search is encouraged by assigning students to identify a specific problem related to some issue, gather relevant scientific information about how others have addressed the problem and report this information in written or orally.</p>								
Assessment methods and criteria	<table> <tr> <td>Final Exam</td> <td>60%</td> </tr> <tr> <td>2 Quizzes</td> <td>10%</td> </tr> <tr> <td>Mid-term</td> <td>20%</td> </tr> <tr> <td>Homework assignments and participation</td> <td>10%</td> </tr> </table>	Final Exam	60%	2 Quizzes	10%	Mid-term	20%	Homework assignments and participation	10%
Final Exam	60%								
2 Quizzes	10%								
Mid-term	20%								
Homework assignments and participation	10%								
Language of instruction	English								
Work placement(s)	NO								