

INTERNATIONAL FINANCIAL MANAGEMENT

Course Code	20MBAFM406	CIE Marks	40
Teaching Hours/Week (L:T:P)	3:0:0	SEE Marks	60
Credits	03	Exam Hours	03

Course Objectives:

1. To understand the International Financial Environment and the Foreign Exchange market.
2. To learn hedging and Forex risk management.
3. To learn the Firm's Exposure to risk in International environment and various theories associated with it.

Module -1 International Financial Environment

7 hours

Importance, rewards & risk of international finance- Goals of MNC- International Business methods. Balance of Payments (BoP), Fundamentals of BoP, Accounting components of BOP, Equilibrium & Disequilibrium, International Monetary System: Evolution, Gold Standard, Bretton Woods system, the flexible exchange rate regime, the current exchange rate arrangements, the Economic and Monetary Union (EMU). (Only Theory).

Module -2 Foreign Exchange Market

7 hours

Function and Structure of the Forex markets, Foreign exchange market participants, Types of transactions and Settlements Dates, Exchange rate quotations, Determination of Exchange rates in Spot markets. Exchange rates determinations in Forward markets. Exchange rate behaviour-Cross Rates- Bid – Ask – Spread (Theory & Problems).

Module -3 Foreign Exchange Risk Management

7 hours

Hedging against foreign exchange exposure – Forward Market- Futures Market- Options Market- Currency Swaps-Interest Rate Swap- problems on both two-way and three-way swaps. (Theory & Problems).

Module -4 International Financial Markets and Instruments

5 hours

: Foreign Portfolio Investment, International Bond & Equity market. GDR, ADR, International Financial Instruments: Foreign Bonds & Eurobonds, Global Bonds. Floating rate Notes, Zero coupon Bonds, International Money Markets, International Banking services –Correspondent Bank, Representative offices, Foreign Branches. Forward Rate Agreements. (Only Theory).

Module -5 Forecasting Foreign Exchange rate

7 hours

International Parity Relationships, Measuring exchange rate movements-Exchange rate equilibrium –Factors effecting foreign exchange rate- Forecasting foreign exchange rates. Interest Rate Parity, Purchasing Power Parity & International Fisher effects, Arbitrage, Types of Arbitrage – Locational, Triangular and Covered Interest Arbitrage. (Theory & Problems).

Module-6 Foreign Exchange exposure

7 hours

Foreign Exchange exposure: Management of Transaction exposure-Management of Translation exposure-Management of Economic exposure-Management of political Exposure- Management of Interest rate exposure. International Capital Budgeting: Concept, Evaluation of a project. (Theory & Problems).

Course outcomes:

At the end of the course the student will be able to:

1. The student will have an understanding of the International Financial Environment.
2. The student will learn about the foreign exchange market, participants and transactions.
3. The student will be able to use derivatives in foreign exchange risk management.
4. The student will be able to evaluate the Firm's Exposure to risk in International environment and various theories associated with it.

Practical Components:

- Visit the foreign exchange department of a bank, study the operations and submit a report
- Track and analyze the rupee exchange value against Dollar and Euro in spot and forward markets for one week and record the observations.
- Study the different types of swaps used in Foreign Exchange Market
- Visit the foreign exchange department of a bank, study the operations and submit a report
- Track and analyze the rupee exchange value against Dollar and Euro in spot and forward markets for one week and record the observations

CO	PO				
	PO1	PO2	PO3	PO4	PO5
CO1	X				
CO2	X			X	X
CO3	X			X	
CO4	X		X		X

The SEE question paper will be set for 100 marks and the marks scored will be proportionately reduced to 60.

- The question paper will have 8 full questions carrying equal marks.
- Each full question is for 20 marks.
- Each full question will have sub question covering all the topics under a Module.
- The students will have to answer five full questions; selecting four full question from question number one to seven and question number eight is compulsory.
- 40 percent theory and 60 percent problems in the SEE.

Sl. No.	Title of the book	Name of the Author/s	Publisher Name	Edition and year
1	International Corporate Finance	Jeff Madura	Cengage Learning	10/e 2012
2	International Finance Management	Eun & Resnick	Tata McGraw Hill	4/e, 2014
3	Financing International Trade: Banking Theories and Applications	Gargi Sanati	Sage Publication	1/e, 2017

1	International Financial Management	Apte P. G	Tata McGraw Hill	6/e, 2011
2	International Financial Management	MadhuVij	Excel Books	2010
3	International Financial Management	Thummuluri Siddaiah	Pearson India	1/e, 2009

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