

## INTERNATIONAL FINANCIAL MANAGEMENT

Subject Code	: 14MBA FM410	IA Marks	: 50
No. of Lecture Hours / Week	: 04	Exam Hours	: 03
Total Number of Lecture Hours	: 56	Exam Marks	: 100
Practical Component	: 01 Hour / Week		

### Objectives

- To provide an understanding the international economic and financial environment.
- To explain the foreign exchange rate determination, including the foreign exchange and derivatives markets.
- To describe foreign exchange exposure measurement and management.
- To provide an understanding the financial management aspects of the MNC.
- To explain the functioning of world financial markets and institutions.

### Module I

(6 Hours)

**International financial Environment-** The Importance, rewards & risk of international finance- Goals of MNC- International Business methods – Exposure to international risk- International Monetary system- Multilateral financial institution

### Module II

(8 Hours)

**International flow of funds and International Monetary system:-**

**International Flow of Funds:** Balance of Payments (BoP), Fundamentals of BoP, Accounting components of BOP, Factors affecting International Trade and capital flows, Agencies that facilitate International flows. BOP, Equilibrium & Disequilibrium, Trade deficits, Capital account convertibility (problems on BOP)

**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).

### Module III

(8 Hours)

**Foreign Exchange Market:** Function and Structure of the Forex markets, Foreign exchange market participants, Types of transactions and Settlements Dates, Exchange rate quotations, Nominal, Real and Effective exchange rates, Determination of Exchange rates in Spot markets. Exchange rates determinations in Forward markets. Exchange rate behaviour-Cross

Rates- Arbitrage profit in foreign exchange markets, Swift Mechanism. Triangular and locational arbitrage.

**Module IV (8 Hours)**

**International Financial Markets and Instruments:** - Foreign Portfolio Investment. International Bond & Equity market. GDR, ADR, Cross listing of shares Global registered shares. 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

**Module V (8 Hours)**

**International Parity Relationships & Forecasting Foreign Exchange rate:** - Measuring exchange rate movements-Exchange rate equilibrium - Factors effecting foreign exchange rate- Forecasting foreign exchange rates .Interest Rate Parity, Purchasing Power Parity & International Fisher effect. Covered Interest Arbitrage

**Module VI (8 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.

**Module VII (10 Hours)**

**Foreign exchange risk Management:** Hedging against foreign exchange exposure - Forward Market- Futures Market- Options Market- Currency Swaps-Interest Rate Swap-Hedging through currency of invoicing- Hedging through mixed currency invoicing -Country risk analysis.

**International Capital Budgeting:** Concept, Evaluation of a project, Factors affecting, Risk Evaluation, Impact on Value, Adjusted Present Value Method

**Practical Component:**

- Students can study the Balance of Payment statistics of India for the last five year and present the same in the class.
- Students can carry out a survey of Exporters and report the foreign exchange risk management practices adopted by them.
- Students can study the impact of exchange rate movement on the stock Index.

- Students can predict exchange rates using technical analysis and find arbitrage opportunities using newspaper quotes present the same in the class.
- Students can visit a bank and study the foreign exchange derivatives offered by them.

**RECOMMENDED BOOKS:**

- International Finance Management - Eun & Resnick, 4/e, Tata McGraw Hill.
- Multinational Business Finance - Eiteman, Moffett and Stonehill, 12/e, Pearson, 2011.
- International Financial Management - Jeff Madura, Cengage Learning 2008.
- International Financial Management - Vyaptakesh Sharan, 6/e, PHI, 2011.
- Multinational Financial Management-Alan C. Shapiro, 10/e, Wiley India Pvt. Ltd., 2011.
- International Financial Management - Madhu Vij, Excel BOOKS, 2010.

**REFERENCE BOOKS:**

- International Financial Management - Siddaiah T, 1/e, Pearson, 2011.
- International Finance - Imad Moosa, 3/e, Tata McGraw Hill, 2011.
- International Finance - Shailaja G, 2/e, University Press, 2011.
- International Financial Management - Apte P. G, 6/e, TMH, 2011.
- International Finance - Maurice Levi, 5/e, Routledge, 2009.
- International Financial Management - Jain, Peyrard & Yadav, Macmillan 2010.
- International Finance - Thomas O'Brien, Oxford University Press, 2010.

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