

INTERNATIONAL FINANCIAL MANAGEMENT

Subject Code	: 16MBA FM404	IA Marks	: 20
No. of Lecture Hours / Week	: 03	Exam Hours	: 03
Total Number of Lecture Hours	: 56	Exam Marks	: 80
Practical Component	: 02 Hours/ Week		

Objectives

- To provide an understanding of 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.

Course Outcome:

At the end of the course, the students are able to:

- Be aware of international economic and financial environment.
- Understand foreign exchange rate determination.
- Know foreign exchange exposure measurement and management.
- comprehend the financial management aspects of the MNC.
- Understand the functioning of world financial markets and institutions.

Unit 1:

(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

Unit 2:

(10 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).

Unit 3:

(10 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.

Unit 4: (10 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

Unit 5: (10 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

Unit 6: (10 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.

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.

(Question Paper: 50% Theory and 50% Problems)

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 visit a bank and study the foreign exchange derivatives offered by them.

RECOMMENDED BOOKS:

- International Financial Management - Jeff Madura, Cengage Learning 2008.
- International Finance Management - Eun & Resnick, 4/e, Tata McGraw Hill.
- International Financial Management – Madhu Vij, Excel BOOKS, 2010.
- International Financial Management – Apte P. G, 6/e, TMH, 2011
- Multinational Business Finance – Eiteman, Moffett and Stonehill, 12/e, Pearson, 2011.

REFERENCE BOOKS:

- International Financial Management – Siddaiah T, 1/e, Pearson, 2011.
- International Finance – Imad Moosa, 3/e, Tata McGraw Hill, 2011.
- International Financial Management – Vyaptakesh Sharan, 6/e, PHI, 2011.
- Multinational Financial Management – Alan C. Shapiro, 10/e, Wiley India Pvt. Ltd., 2011.