

INTERNATIONAL FINANCIAL MANAGEMENT

Semester	IV	CIE Marks	: 40
Course Code	18MBAFM404	SEE Marks	: 60
Teaching Hours / week (L:T:P)	3-0-0	Exam Hours	: 03
Credits : 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.

Unit 1:

International financial Environment- The 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).

Unit 2:

Foreign Exchange Market: 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 behavior-Cross Rates- - Bid - Ask - Spread (Theory & Problems).

Unit 3:

Foreign exchange risk Management: 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).

Unit 4:

International Financial Markets and Instruments: 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).

Unit 5:

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 effects, Arbitrage, Types of Arbitrage – Locational, Triangular and Covered Interest Arbitrage. (Theory & Problems).

Unit 6:

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).

Question Paper: 60 % Theory 40% problems. Case preferably from capital budgeting.

COURSE OUTCOMES:

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.

RECOMMENDED BOOKS:

1. International Corporate Finance - Jeff Madura, Cengage Learning, 10/e 2012.
2. International Finance Management - Eun & Resnick, 4/e, Tata McGraw Hill.

REFERENCE BOOKS:

1. International Financial Management – Apte P. G, 6/e, TMH, 2011.
2. International Financial Management – Madhu Vij, Excel Books, 2010.

CO-PO MAPPING

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

Dept. of Business Administration
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