

Name of the Program: Master of Business

Administration

Course Code:4.2.2

*Name of the Course: International Financial
Management*

Course Credits	No. of Hours per Week	Total No. of Teaching Hours
4 Credits	4 Hrs	56 Hrs

Overview of the Course:

A business enterprise having international transactions is exposed to various risks. While understanding the global environment, the economic impact of the transactions, the procedures and formalities to be adhered to are on one side, the impact of transactions on cash flow of the entity on account of fluctuations in foreign exchange rate is another aspect that must be addressed. This course titled “International Financial Management” aims to orient all the aspects a professional need to know in carrying out international transactions.

Course Objectives:

1. To orient the students on global business environment.
2. To give knowledge on the foreign currencies and foreign exchange markets.
3. To make students understand the various risks an enterprise is exposed to on account of international transactions.
4. To provide knowledge and skills for hedging foreign currency risks.

Course outcomes:

- The global financial environment, currency system, relationship between economies and impact of international transactions on the economy.
- Functioning of international financial markets.
- Fixing of exchange rate.
- Foreign currency risks and hedging strategies.
- Interest rate risks and hedging strategies

MODULE 1: GLOBAL FINANCIAL MANAGEMENT**8 HOURS**

Evolution of International Monetary System, Bimetallism, Classical Gold Standard, Interwar Period, Bretton Woods System, Flexible Exchange Rate Regime, current Exchange Rate Agreements, European Monetary System, Fixed vs. Flexible Exchange Rate Regime

MODULE 2: BALANCE OF PAYMENTS**8 HOURS**

Introduction, Accounting Principles in Balance of Payments, Valuation and Timing, Components of the Balance of Payments, 'Surplus' and 'Deficit' in Balance of Payments, Importance and limitations of BOP Statistics, Relationship of BOP with other economic variables.

MODULE 3: FOUNDATION OF FOREIGN EXCHANGE**8 HOURS**

Quotations – Direct and Indirect; Ask Rate, Bid Rate and Spread Points; Spot, Future Spot and Swap Points; Appreciation and Depreciation of Currency (Premium / Discount), Cross Rates, Cross Currency Arbitrage.

MODULE 4: EXCHANGE RATE DETERMINATION**8 HOURS**

Purchasing Power Parity Theory, Interest Rate Parity Theory, International Fischer's Effect, Pure Expectations Theory. Covered Interest Arbitrage

MODULE 5: FOREIGN EXCHANGE RISK AND RISK HEDGING STRATEGIES**16 HOURS**

Transaction Risk, Translation Risk, Economic Risk. Risk Hedging Strategies: Internal – Netting, Leads and Lags. External – Forwards, Futures, Options, Money-market Hedging, Currency Swaps

MODULE 6: INTERNATIONAL FINANCIAL DECISIONS**12 HOURS**

International Capital Budgeting Decisions: Home Currency Approach and Foreign Currency Approach; Impact of Inflation. International Financing Decisions: Sources of International Financing – ADRs, GDRs, FCCBs, External Commercial Borrowings, Masala Bonds, Foreign Bonds, Euro Bonds, Floating Rate Notes etc. International Working Capital Management: Netting, Leads and Lags, International Money Markets.

Reference Books:

- Alan Shapiro (2008), "Multinational Financial Management", Wiley India Private Limited, 8th Edition.
- Apte, Prakash (2007), "International Finance – A Business Perspective", Tata McGraw Hill, 2nd Edition.
- David B. Zenoff & Jack Zwick (1969), "International Financial Management", Prentice Hall.
- Rita M. Rodriguez L. Bigame Carter, (1979), "International Financial Management" Prentice Hall, 2nd Edition.
- V. A. Avadhani (2017), "International Finance- Theory and Practice", Himalaya Publishing House, 8th Edition.

Additional Readings:

- Haugen Robert (2003); *"Modern Investment Theory"*, Pearson Education, 5th Edition.
- Bhalla, V.K. (2006); *"Investment Management"*, S. Chand; 12th Edition.
- Madura, Jeff, (2005), *"International Corporate Finance"*, Thomson South-Western, 8th International Edition.
- Sharan, Vyuptakesh (2012), *"International Financial Management"*, Prentice Hall of India, 6th Edition.
- A.V. Rajwade, (2014), *"Foreign Exchange International Finance and Risk Management"*, Prentice Hall. 5th Edition.