

## COO4A3 International Financial Management [4 Credits]

**Learning Objectives:** This course aims to familiarize the students with the International Monetary System, International Financial Market and its instruments and Foreign Exchange Market.

### UNIT 1: International Financial Management and International Monetary Systems (12 Hours)

Meaning - Futures of International Finance – Need – Significance – **Development of International Trade** - Scope of International Finance – International Financial Management and Domestic Financial Management – **Growth of International Finance and the Changes in Indian Financial Markets** - Gold Standard – Gold Exchange Standard – Bretton Wood System – Flexible Exchange Rate System – Fixed Exchange Rate System – Types of Exchange Rate Regimes – The Role of IMF and World Bank in International Trade – Subsequent International Monetary Developments

### UNIT 2: Financial Management of Multinational Firm (12 Hours)

International Financing – **Short Term Financing of MNCs – Short Term Borrowing and Investment – Cash Management of MNCs – Long Term Financing - Evaluating Borrowing Decision – Funding Avenues in Global Markets**

**International Project Appraisal** - Capital Budgeting and the Factors Affects the Capital Budgeting of MNC – **Methods of Capital Budgeting of MNCs - NPV and Adjusted NPV Approach**

**Cost of Capital of MNC** – Cost of Debt – Cost of Equity – Cost of Loans – Over-all Cost of Capital – Tax Implications on Cost of Capital to Subsidiary and Parent Company

**Capital Structure** – Capital Structure of Parent and Subsidiary Company - Capital Structure of MNC and its impact on Value of Parent Company. **(Includes Practical Problems)**

### UNIT 3: Foreign Exchange Markets and Exchange Rate Mechanisms (12 Hours)

Features – Participants – Spot – Futures – Forwards – Options – Types of Transactions – Types of Players – **Trading of Forex Transactions – Settlement of Forex Transactions**

**Types of Trading in Foreign Exchange Market:** Hedging – Speculations – Arbitrage – Covered Interest Rate Arbitrage – Borrowings and Investing Markets – Tax Implications - Indian Foreign Exchange Markets – History - Evolution - Developments and Forex Regulations – Regulatory Mechanism of Indian Forex Market

**Exchange Rate Mechanism** – Quotations – Types of Quotations – Exchange Rate Determinations in Spot and Forward Markets – Factors Influencing Exchange Rate – Law of One Price - **Purchasing Power Parity** – Interest Rate Parity – Fisher Effect - International Fisher's Effect **(Includes Practical Problems)**

### UNIT 4: Measuring and Management of Foreign Exchange Exposure (12 Hours)

**Exposure:** Meaning – Types of Foreign Exchange Exposure – Transaction Exposure – Operating Exposure – Accounting Exposure **(Includes Practical Problems)** - **Management of Foreign Exchange Exposure** – Need – **Hedging of Transaction Exposure – Hedging of Operating Exposure – Management of Accounting Exposure (Includes Practical Problems)**

### UNIT 5: International Financial Markets and Instruments (12 Hours)

World Bond Market – Euro Market – International Equity Market – **Market Structure and Trading Practices** – International Equity Benchmarks – **International Financial Instruments** – EURO Credits – Revolving Credit – Term Credit – EURO Bonds – Straight Bonds – FRNs – EURO currency Deposits – Call Deposits – Term Deposits – CD – EURO Notes – EURO issues – GDR – ADRS – FCCB

### Suggested Readings

1. Jeff Madura, International Financial Management, 6th Ed., South-Western, 2000
2. Cheol S.Eun, Bruce G.Resnick,. International Financial Management, Irwin McGraw Gill.1998.
3. Maurice D.Levi, International Finance, 3rd Ed., McGraw Hill, 1996.
4. Alan C.Shapiro, Multinational Financial Management. Prentice Hall India.
5. Maurice , D. Levy (1996), International Finance McGraw Hill International Editions, New Delhi.
6. Shapiro Alan, C (1996), Multinational Financial Management, Prentice Hall International , New Delhi.
7. Apte, P.G. (1998), International Financial Management, Tata McGraw Hill Publishing Company, New Delhi.
8. Sharan, V. (2001), international Financial Management, prentice Hall of India Pvt. Ltd., New Delhi.
9. Madhu Vij (2001), Multinational Financial Management, Excel Books, New Delhi.
10. Jeevanandam,C ( 2001), Foreign Trade Finance & Risk Management,Sultan Chand & Sons, New Delhi.

