

MCM5301 INTERNATIONAL FINANCIAL MANAGEMENT

Course Code	MCM5301	Semester	III
Course Title	<i>INTERNATIONAL FINANCIAL MANAGEMENT</i>		
Credits	4	Type	CORE

This course shall have 3 lecture hours, 2 practicals, 1 tutorial.

This is a Skill based, employability based course.

Course Objective

To provide students with a conceptual framework of evaluating various investment avenues and to give with a conceptual and analytical framework of different financial instruments, markets, regulations, their risk and returns and strategies in managing funds.

Learning Objective

- To give a specialized knowledge of significance of Foreign exchange and its relevance to survival of Companies in international markets
- To describe the international monetary system and the foreign exchange markets.
- Identify the basic philosophies that govern corporate behavior throughout the world.
- Forecast exchange rates based on the parity conditions that should apply between spot rates, forward rates, inflation rates, and interest rates.

Course Structure

UNIT I:

The Indian Forex markets: Overview of the Foreign Exchange Management Act-Convertibility of rupee -exchange control - Indian exports & imports -policies - practices and documentation.

UNIT II:

International Financial Markets and Instruments - International capital and money markets. Arbitrage opportunities - integration of markets - International capital and money market instruments GDRs, ADRs, Euro-Bonds, CPs, FRNs, Euro deposits, Eurocurrency markets.

Foreign Exchange Market: Structure and market infrastructure, major participants, Spot market, quotations, cross rates, currency arbitrage, forward market, forward quotations, relationship between forward rate and future spot rate, Forecasting exchange rates. determinants of exchange rates, Exchange rate behavior, Law of one price, purchasing power parity, interest rate parity, Fisher effect-implications

UNIT III:

Measuring Exposure to Exchange rate fluctuations: The investor hedge argument, Currency

diversification argument, Stakeholder diversification argument. Types of exposure – Transaction exposure, economic exposure, translation exposure.

Managing Transaction Exposure: Hedging exposure to payables and receivables – Forward or Futures Hedge, Money Market Hedge-Hedging for Long Term forward contracts – Parallel loan; alternative hedging techniques – leading and lagging, cross hedging, currency diversifications.

Managing Economic exposure and Translation exposure: Translation methods; current / noncurrent, monetary / non-monetary, current rate methods. Economic exposure- determinants of operating exposure, managing operating exposure.

UNIT IV:

Interest rate derivatives and SWAPS: Interest rate swaps, currency swaps, interest rate forwards futures, structured notes

Country Risk Analysis: Significance of country risk analysis - political and financial risk, assessment of risk factors, country risk ratings, techniques to assess country risk, measuring country risk, preventing host government takeovers.

UNIT V:

Financing Decisions by MNCs and long term investment appraisal: International investment decisions: Cost of capital for international investments – cost of equity capital, Cost of debt, Weighted average cost of capital, Discount rates for foreign investments, capital budgeting in MNCs.

Practicals

- Discussion on Exchange rate for several currencies.
- Group works on International Financial Management aspects related to any recent financial crisis.
- Presentation on Exchange rate theories and analysis of its practical implications.

Skills

- Students attain thorough understanding of international investment and financing decisions.
- Students acquire understanding of additional complexities in financial management when moving from domestic to an international arena.
- Students gain proper understanding of different hedging techniques.

Learning/Course Outcomes

- Understand international capital and foreign exchange market
- Identify and appraise investment opportunities in the international environment
- Identify risk relating to exchange rate fluctuations and develop strategies to deal with them
- Identify and evaluate foreign direct investment and international acquisition opportunities.

Books for Reference:

1. Apte P G- International Financial Mangement -Tata McGraw Hill Publishing Company Ltd.
2. Avadhani. V A – Marketing of Financial Services and Market- Himalaya Publishing House.
3. Avadhani.V A- International Financial Management- Himalaya Publishing House.
4. Bekartgeert and Drick J. Robert-International Financial Management- PHI Learning Pvt. Ltd., New Delhi.
5. David K Eiteman, Arthur I. Stonehill& Michael H. Moffett - Multinational Business Finance- Addison Wesley Longman Pvt. Ltd.
6. Dun and Broadstreet- Foreign Exchange Markets- Tata McGraw Hill Publishing Company Ltd.
7. Eiteman K. David et al- Multinational Business Finance-Dorling Kindersley India Pvt. Ltd., New Delhi.
8. EunCheol and Resnick Bruce-International Financial Management- Tata McGraw hill publishing company Ltd., New Delhi.
9. Francis Cherunilam - International Business- Prentice Hall India
10. Janakiraman Sundram, -Derivatives and Risk Management- Dorling Kindersley India Pvt.Ltd.
11. Jeevanandan.C- Foreign Exchange and Risk Management-, Sultan Chand and Sons, New Delhi.
12. Jeff Madura - International Financial Management- Cengage Learning India Pvt. Ltd., New Delhi.
13. Joseph Daniels & David Vanhoose- International Monetary and Financial Economics-S Chand & Company Ltd.
14. Keith Pilbeam. - International Finance – Palgrave Macmillan.
15. Kevin S-Fundamentals of International Financial Management-Prentice Hall India.
16. Machiraju H R- Intemational Financial Markets and India -New Age International Limited Publishers
17. MadhuVij-International Financial Management-Excel Books, New Delhi.
18. Madura -International Corporate finance- Cengage learning India Pvt. Ltd., New Delhi.
19. Maurice D. Levi -. International Finance-Routledge.
20. Rajwade A.V.-Cash & Derivatives markets in foreign Exchange-Tata McGraw Hill education Pvt. Ltd., New Delhi.
21. Rodriguez & Carter. - International Financial Management-Prentice Hall.
22. Shapiro C. Alan - Multinational Financial Management-Wiley India Pvt.Ltd.
23. Sharma K S- Institutional Structures of Capital Markets in India-Writers and Publishers, Corp.; sole distributors: Sterling Publishers ,Delhi.
24. VyuptakeshSharan - International Financial Management-Prentice Hall India.