

Course title: International Financial Management				
Course code: PPM 191	No. of credits: 2	L-T-P: 28-0-0	Learning hours: 28	
Pre-requisite course code and title (if any): None				
Faculty: Faculty of Policy and Planning		Department: Department of Business Sustainability		
Course coordinator: Dr. Ritika Mahajan		Course instructor: Dr. Ritika Mahajan		
Contact details:				
Course type: Elective		Course offered in:		
Course description:				
<p>International Finance concerns itself with aspects of financial planning and investment in financial assets in the global scenario in this age of free trade and increasing internationalisation. The subject is aimed at providing insight to the various analytical techniques required to take decisions involving foreign exchange, hedging, and an understanding of foreign exchange markets and monetary systems. The course also provides background of international trade, factors governing exchange rates and new developments taking place in terms of various financial instruments in vogue.</p> <p>The course provides international perspective in various areas of finance assuming that basic exposure is already given. The course deals with six distinct areas of finance and sessions may be split as follows;</p> <p>International Trade and Economics : Sessions 1, 2, 3, 4</p> <p>Corporate Finance : Sessions 8, 9, 10</p> <p>Accounting : Sessions 13</p> <p>Commercial : Sessions 11, 12</p> <p>Exchange Rate Management : Sessions 5, 6, 7</p>				
Course objectives:				
The objective of this course is to familiarise the participants with the foreign exchange markets, its features, terminology, types of instruments, the determinants of the exchange rates, analytical framework for taking corporate finance decisions, and to provide a conceptual insight to risk management.				
Course contents				
Module	Topic	L	T	P
1	INTERNATIONAL FINANCIAL MANAGEMENT <ul style="list-style-type: none"> <input type="checkbox"/> An Introduction <input type="checkbox"/> Goals of MNCs <input type="checkbox"/> Conflicts, issues, constraints in MNCs <input type="checkbox"/> objectives/operations <input type="checkbox"/> Theories of International Trade 	2	0	0
2	INTERNATIONAL MONETARY SYSTEMS Gold Standard: <ul style="list-style-type: none"> <input type="checkbox"/> History, <input type="checkbox"/> Price Specie Flow Mechanism <input type="checkbox"/> Quantity Theory of Money, Fiat Money <input type="checkbox"/> Reasons for failure of Gold Standard Bretton Woods System:	4	0	0

	<input type="checkbox"/> Introduction to IMF Evaluation <input type="checkbox"/> Smithsonian agreement and Jamaica Agreement <input type="checkbox"/> Failure of Bretton Woods System European Monetary System <input type="checkbox"/> Introduction <input type="checkbox"/> Comparison with Bretton Woods Euro Currencies and Markets <input type="checkbox"/> Introduction <input type="checkbox"/> Evolution			
3	DETERMINATION OF FOREIGN EXCHANGE RATES <input type="checkbox"/> Factors determining demand and supply <input type="checkbox"/> Central Bank Intervention, Clean and Dirty Float <input type="checkbox"/> Sterilisation <input type="checkbox"/> Comparison of Flexible and Fixed Exchange Rate System	2	0	0
4	FOREIGN EXCHANGE MARKETS <input type="checkbox"/> Participants, Operation, Terms <input type="checkbox"/> Spot and Forward markets <input type="checkbox"/> Fedai Rules <input type="checkbox"/> Option Forwards, Swap Points	2	0	0
5	PARITY RELATIONSHIP AND FORWARDS <input type="checkbox"/> Absolute and Relative Purchasing Power <input type="checkbox"/> Parity <input type="checkbox"/> Interest Rate Parity and linkages with the forward markets <input type="checkbox"/> Calculation of forward rates <input type="checkbox"/> Problems and Numericals	2	0	0
6	TRANSACTION EXPOSURE <input type="checkbox"/> Nature of exposures faced by MNCs <input type="checkbox"/> Definition of Transaction Exposure <input type="checkbox"/> Forward Hedge <input type="checkbox"/> Money Market Hedge <input type="checkbox"/> Cost of Hedging <input type="checkbox"/> Hedging through Invoicing <input type="checkbox"/> Hedging through Lead and Lag <input type="checkbox"/> Exposure Netting	2	0	0
7	COST OF CAPITAL, CAPM & CAPITAL STRUCTURE FOR MNCs <input type="checkbox"/> WACC & Value of the firm <input type="checkbox"/> Cost of capital for MNCs <input type="checkbox"/> Conventional and International CAP-M <input type="checkbox"/> Beta and cost of equity for MNCs <input type="checkbox"/> Cross Border Listing <input type="checkbox"/> Capital structure for subsidiary and MNC	2	0	0
8	INTERNATIONAL CAPITAL BUDGETING <input type="checkbox"/> Capital Budgeting <input type="checkbox"/> Subsidiary vs. Parent : Cash flow and discount rate <input type="checkbox"/> WACC and APV <input type="checkbox"/> Lessard's APV Model <input type="checkbox"/> Case on capital budgeting with APV	2	0	0

| | □ application | | | |

9	FDI and POLITICAL/COUNTRY RISK <ul style="list-style-type: none"> <input type="checkbox"/> Why FDI <input type="checkbox"/> Causes of political and country risk <input type="checkbox"/> Measurement of political and country risk 	2	0	0
	Mid-term Test TRANSFER PRICING <ul style="list-style-type: none"> <input type="checkbox"/> Objective <input type="checkbox"/> Concept of control <input type="checkbox"/> Methods of calculating transfer price 	2	0	0
	INTERNATIONAL TRADE FINANCE <ul style="list-style-type: none"> <input type="checkbox"/> Letters of Credit <input type="checkbox"/> Bill of Exchange <input type="checkbox"/> Forfaiting <input type="checkbox"/> Factoring 	2	0	0
	TRANSLATION EXPOSURE <ul style="list-style-type: none"> <input type="checkbox"/> Meaning <input type="checkbox"/> Impact <input type="checkbox"/> Translation Methods- An example <input type="checkbox"/> Accounting Standards applicable to translation (AS 11 and AS 21) <input type="checkbox"/> Managing Translation Exposure <input type="checkbox"/> Limitations of managing translation exposure 	2	0	0
	ECONOMIC EXPOSURE <ul style="list-style-type: none"> <input type="checkbox"/> Meaning <input type="checkbox"/> Impact <input type="checkbox"/> Measuring economic and operating exposure <input type="checkbox"/> Managing economic exposure <input type="checkbox"/> Limitations of managing economic/operating exposure 	2	0	0
	Total	28	0	0
Evaluation procedure <ul style="list-style-type: none"> <input type="checkbox"/> Mid term Test 20 <input type="checkbox"/> Surprise Tests 10 <input type="checkbox"/> Each Case 15 marks each (Best two) 30 <input type="checkbox"/> Final Examination 40 				
Learning outcomes:				
Materials: Suggested readings Text: Multinational Financial Management By Alan Shapiro (Wiley Eastern Publication)				
Additional information (if any): Assignments <ol style="list-style-type: none"> 1. Case V.2 on Euro Disneyland: Page 605, Multinational Financial Management by Alan Shapiro, Seventh Edition Being distributed: 2. VOGL Case - Integrative problem on exchange rate risk management; Chapter 12, International Financial Management by Jeff Madura All cases can be submitted in groups of size not more than five (5).				

Last Date of Submission: at the end of 14th session

Student responsibilities:

Course reviewers:

International Financial Management

Jeff Madura (South Western Publishing Co.)

International Financial Management

By P G Apte (Tata McGraw Hill) Introduction to Futures and Options

Market John C Hull (Prentice Hall of India)

Financial Derivatives

By Keith Redhead (Prentice Hall of India)

Derivatives; An Introduction

By Robert A Strong (Thomson South Western)

International Financial Management

By Eun and Resnick (Tata McGraw Hill)