

Course title: International Financial Management				
Course code: PPM 191		No. of credits: 2		L-T-P: 30-00-00
Learning hours: 30				
Pre-requisite course code and title (if any): None				
Department: Policy and Management Studies				
Course coordinator:			Course instructor:	
Contact details:				
Course type: Elective			Course offered in: 3 rd Semester	
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 internationalization. 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,</p> <p>10 Accounting : Sessions 13</p> <p>Commercial : Sessions 11, 12</p> <p>Exchange Rate Management : Sessions 5, 6, 7</p>				
Course objectives:				
<p>The objective of this course is to familiarize 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 in sight to risk management.</p>				
Course contents				
Module	Topic	L	T	P
1.	INTERNATIONAL FINANCIAL MANAGEMENT <ul style="list-style-type: none">• An Introduction• Goals of MNCs• Conflicts, issues, constraints in MNCs• objectives/operations• Theories of International Trade	2	0	0
2.	INTERNATIONAL MONETARY SYSTEMS Gold Standard: <ul style="list-style-type: none">• History,• Price Specie Flow Mechanism• Quantity Theory of Money, Fiat Money• Reasons for failure of Gold Standard Bretton Woods System: <ul style="list-style-type: none">• Operational Framework• Introduction to IMF Evaluation• Smithsonian agreement and Jamaica Agreement• Failure of Bretton Woods System European Monetary System <ul style="list-style-type: none">• Introduction• Comparison with Bretton Woods Euro Currencies and Markets <ul style="list-style-type: none">• Introduction• Evolution	4	0	0
3.	DETERMINATION OF FOREIGN EXCHANGE RATES <ul style="list-style-type: none">• Factors determining demand and supply• Central Bank Intervention, Clean and Dirty Float• Sterilisation• Comparison of Flexible and Fixed Exchange Rate System	3	0	0

4.	FOREIGN EXCHANGE MARKETS <ul style="list-style-type: none"> • Participants, Operation, Terms • Spot and Forward markets • Fedai Rules • Option Forwards, Swap Points 	2	0	0
5.	PARITY RELATIONSHIP AND FORWARDS <ul style="list-style-type: none"> • Absolute and Relative Purchasing Power • Parity • Interest Rate Parity and linkages with the forward markets • Calculation of forward rates • Problems and Numerical 	2	0	0
6.	TRANSACTION EXPOSURE <ul style="list-style-type: none"> • Nature of exposures faced by MNCs • Definition of Transaction Exposure • Forward Hedge • Money Market Hedge • Cost of Hedging • Hedging through Invoicing • Hedging through Lead and Lag • Exposure Netting 	2	0	0
7.	COST OF CAPITAL, CAPM & CAPITAL STRUCTURE FOR MNCs <ul style="list-style-type: none"> • WACC & Value of the firm • Cost of capital for MNCs • Conventional and International CAP-M • Beta and cost of equity for MNCs • Cross Border Listing • Capital structure for subsidiary and MNC 	3	0	0
8.	INTERNATIONAL CAPITAL BUDGETING <ul style="list-style-type: none"> • Capital Budgeting • Subsidiary vs. Parent : Cash flow and discount rate • WACC and APV • Lessard's APV Model • Case on capital budgeting with APV application 	2	0	0
9.	FDI and POLITICAL/COUNTRY RISK <ul style="list-style-type: none"> • Why FDI • Causes of political and country risk • Measurement of political and country risk 	2	0	0
10.	Mid-term Test TRANSFER PRICING <ul style="list-style-type: none"> • Objective • Concept of control • Methods of calculating transfer price 	2	0	0
11.	INTERNATIONAL TRADE FINANCE <ul style="list-style-type: none"> • Letters of Credit • Bill of Exchange • For fainting • Factoring 	2	0	0

12.	TRANSLATION EXPOSURE <ul style="list-style-type: none"> • Meaning • Impact • Translation Methods- An example • Accounting Standards applicable to translation (AS 11 and AS21) • Managing Translation Exposure • Limitations of managing translation • Exposure 	2	0	0
13.	ECONOMIC EXPOSURE <ul style="list-style-type: none"> • Meaning • Impact • Measuring economic and operating exposure • Managing economic exposure • Limitations of managing economic/operating exposure 	2	0	0
	Total	30	0	0
Evaluation procedure <ol style="list-style-type: none"> 1. Test 1: Written Test 20% 2. Test 2 (Surprise Tests) 10% 3. Test 3: Each Case 15 marks each (Best two) 30% 4. Test 4: Written Test 40% Assignments <ol style="list-style-type: none"> 1. CaseV.2 on Euro Disneyland: Page605, Multinational Financial Management by Alan Shapiro, Seventh Edition. 2. VOGL Case-Integrative problem on exchange rate risk management; Chapter12, International Financial Management by Jeff Madura All cases can be submitted in groups of size not more than five (5).				
Learning outcomes: By the end of the course, participants will be able to: <ol style="list-style-type: none"> 1. Understand international capital and foreign exchange market 2. Identify and appraise investment opportunities in the international environment 3. Identify risk relating to exchange rate fluctuations and develop strategies to deal with them 4. Develop strategies to deal with other types of country risks associated with foreign operations 5. Express well considered opinion on issues relating to international financial management. 				
Pedagogical approach The course will be delivered through lectures and discussion of case studies, research papers and articles.				
Materials: Suggested readings Text: <ol style="list-style-type: none"> 1. Multinational Financial Management, By Alan Shapiro (Wiley Eastern Publication), 10th edition Desired Readings <ol style="list-style-type: none"> 1. Buckley, A. (2009). <i>Multinational Finance</i>. (5thed.). Pearson Education. 2. Brigham, E.F., & Daves, P.R. (2016). <i>Intermediate Financial Management</i>. (12thed.). South-Western. 3. Resnick, B. G., & Eun, C. S. (2014). <i>International Financial Management</i>. (7thed.). McGraw Hill International. 4. Madura, J. (2018). <i>International Financial Management</i>. (13thed.). Cengage Learning India Pvt Ltd. 5. Butler, K.C. (2012). <i>Multinational Finance: Evaluating Opportunities, Costs, Risks of Operations</i>. (5thed.). Thomson South-Western. 6. Kim, S & Kim, S.H. (2006). <i>Global Corporate Finance: Text & Cases</i>. (6th ed.). Blackwell Publications. 7. Levi, M.D. (2018). <i>International Finance</i>. (6th ed.). Routledge Publications 8. Vij, M. (2018). <i>International Financial Management</i> (3rd ed.). Excel Books 				
Additional information (if any):				
Student responsibilities: All students are expected to read the assigned readings prior to the class. Students are expected to analyze the case following the 'discussion questions'. All students must maintain full attendance and do timely submission of				

Prepared by: Dr. Ritika Mahajan & Dr. Manipadma Datta

Course Reviewers:

1. Prof. B. Banerjee, CU
2. Prof. Madhu Vij, FMS, DU