

MANGALORE UNIVERSITY
DEPARTMENT OF BUSINESS ADMINISTRATION
MASTER OF BUSINESS ADMINISTRATION (MBA)

MBAS 554: INTERNATIONAL FINANCIAL MANAGEMENT

Workload	: 4 hours per week - Total credits: 4
Examination	: 3 hours 70 marks
Objective	: To give a specialised knowledge of significance of Foreign exchange and its relevance to survival of Companies in international markets
Pedagogy	: Lectures, discussion, seminars, assignments.

Chapter 1: International economics and international finance - Interdependence of national economics - competitive advantage.

Chapter 2: International Monetary System: Meaning; Evolution of International Monetary system – Bimetallism, Classical gold standard, Interwar Period, Bretton Woods System of exchange rate, exchange rate regime since 1973, International Liquidity IMF, solution for financial crisis – major financial crisis.

Chapter 3: International Flow of Funds: Capital flows and flight - International liquidity - external debt and equity financing. Meaning of Balance of payments – components of BOP, Significance of BOP to the multinational corporation, trends of Indian Balance of payments, Role of IMF in BOP crisis.

Chapter 4: 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.

Chapter 5: Financing of foreign trade - managing international trade transactions - pre and post shipment credit, LCs, UCPDC INCO TERMS- cash in advance and consignment sales - Bankers acceptances.

Chapter 6: 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, International Fischer effect – implications.

Chapter 7: The Indian Forex markets: Overview of the Foreign Exchange Management Act-Convertibility of rupee -exchange control - Indian exports & imports -policies - practices -and documentation.

Chapter 8: 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.

Chapter 9: Managing Transaction Exposure: Hedging exposure to payables and receivables – Forward or Futures Hedge, Money Market Hedge, Options Hedge; Limitations

of Hedging, Hedging for Long Term forward contracts – parallel loan; alternative hedging techniques – leading and lagging, cross hedging, currency diversifications.

Chapter 10: Managing Economic exposure and Translation exposure: Translation methods; current / noncurrent, monetary / non monetary, current rate methods. Economic exposure- How to measure economic exposure, determinants of operating exposure, managing operating exposure.

Chapter 11: Interest rate derivatives and SWAPS: Interest rate swaps, currency swaps, interest rate forwards futures, structured notes.

Chapter 12: 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.

Chapter 13: Managing short term assets and Managing working capital in a multinational firm: Concept of Working Capital. Cash, receivables and inventory – short term asset financing, centralized V/S decentralized cash management, bilateral and multilateral netting of internal and external net cash flow. Management of receivables, management of inventory, Short term financing.

Chapter 14: 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– NPV, APV methods.

Chapter 15: Transfer pricing & divisional performance analysis transfer pricing – low mark up and high markup policy, Methods for establishing an arm's length pricing.

References:

1. Shapiro C. Alan - Multinational Financial Management-Wiley India Pvt. Ltd.
2. Maurice D. Levi - .International Finance-Routledge.
3. K. S. Sharma- Institutional Structures of Capital Markets in India-Writers and Publishers, Corp.; sole distributors: Sterling Publishers, Delhi.
4. Rodriguez & Carter. - International Financial Management-Prentice Hall.
5. Keith Pilbeam. - International Finance - Palgrave Macmillan.
6. V.A.Avadhani. – Marketing of Financial Services and Market- Himalaya Publishing House.
7. V.A.Avadhani- International Financial Management- Himalaya Publishing House.
8. P G Apte - International Financial Mangement -Tata McGraw Hill Publishing Company Ltd.
9. VyuptakeshSharan - International Financial management-Prentice Hall India.
10. Jeff Madura - International Financial Management- Cengage Learning India Pvt. Ltd., New Delhi.
11. UCPDC- ICC Publications
12. Joseph Daniels & David Vanhooose- International Monetary and financialEconomics
13. H R Machiraju - International Financial Markets and India -New Age International (P) Limited Publishers
14. David K Eiteman, Arthur I. Stonehill& Michael H. Moffett - Multinational Business Finance-Addison Wesley Longman Pte. Ltd.
15. MadhuVij-International Financial Management-Excel Books, New Delhi.
16. Kevin S-Fundamentals of International Financial Management-Prentice HallIndia.

17. Dun and Broadstreet- Foreign exchange Markets- Tata McGraw Hill Publishing Company Ltd.
18. Bekartgeert and drick J. Robert-International financial Managemen- PHI Learning Pvt. Ltd., New Delhi.
19. Rajwade A.V.-Cash & Derivatives markets in foreign exchange-Tata McGraw Hill education Pvt. Ltd., New Delhi.
20. Eiteman K. David et al- Multinational Business finance-Dorling Kindersley India Pvt. Ltd., New Delhi.
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24. Somanath V S -International Financial Management- I.K. International Publishing House Pvt. Ltd., New Delhi.
25. C. Jeevanandan- Foreign Exchange and Risk Management-, Sultan Chand and Sons, New Delhi .
26. Francis Chenmilam - International Business- Prentice Hall India

