

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				
Department: Department of Business Sustainability				
Course coordinator: Dr. Ritika Mahajan		Course instructor: Dr. Ritika Mahajan		
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 Corporate Finance : Sessions 8, 9, 10 Accounting : Sessions 13 Commercial : Sessions 11, 12 Exchange Rate Management : Sessions 5, 6, 7</p>				
Course objectives:				
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 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: <ul style="list-style-type: none"> <input type="checkbox"/> Operational Framework 	4	0	0
	<ul style="list-style-type: none"> <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 <ul style="list-style-type: none"> <input type="checkbox"/> Introduction <input type="checkbox"/> Comparison with Bretton Woods Euro Currencies and Markets <ul style="list-style-type: none"> <input type="checkbox"/> Introduction <input type="checkbox"/> Evolution 			

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 	2	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 Numericals 	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 	2	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 □ Forfaiting □ Factoring 	2	0	0

12	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
13	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 <ol style="list-style-type: none"> 1. Mid term Test 20% 2. Surprise Tests 10% 3. Each Case 15 marks each (Best two) 30% 4. Final Examination 40% 				
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: 1. Multinational Financial Management , By Alan Shapiro (Wiley Eastern Publication), 10 th edition Desired Readings <ol style="list-style-type: none"> 1. Buckley, A. (2009). <i>Multinational Finance</i>. (5th ed.). Pearson Education. 2. Brigham, E.F., & Daves, P.R. (2016). <i>Intermediate Financial Management</i>. (12th ed.). South-Western. 3. Resnick, B. G., & Eun, C. S. (2014). <i>International Financial Management</i>. (7th ed.). McGraw Hill International. 4. Madura, J. (2018). <i>International Financial Management</i>. (13th ed.). Cengage Learning India Pvt Ltd. 5. Butler, K.C. (2012). <i>Multinational Finance: Evaluating Opportunities, Costs, Risks of Operations</i>. (5th ed.). 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): Assignments <ol style="list-style-type: none"> 1. Case V.2 on Euro Disneyland: Page 605, <i>Multinational Financial Management</i> by Alan Shapiro, Seventh Edition Being distributed: 2. VOGL Case - Integrative problem on exchange rate risk management; Chapter 12, <i>International Financial Management</i> 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:

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 assignments

Course reviewers: