

## **DSE IV: MDG 506: MULTINATIONAL BUSINESS FINANCE**

### **Course Objective:**

The course has been designed to familiarize the students with International Monetary System and Financial Institutions. Functioning of the Foreign Exchange Markets and Financial Management of a multinational firm will be the essential component of this course.

### **Learning Outcome:**

- Students shall have a fair understanding of the MNCs operations with respect to finance.
- They will also understand the functioning of Multilateral Agencies and their role in global economic development.
- Students will get acquaintance of the different aspects of the foreign exchange markets.

### **Course Contents:**

#### **Unit I**

**(3 Weeks)**

Multinational Business Finance – MNCs (Multinational Corporations) and transnational corporations, Difference between domestic and International financial management, Motivations for International finance. International Monetary System - The Gold standard, The Bretton Woods system, the flexible exchange, alternative exchange rate system, the European monetary system, Euro and its implications for Indian banking, International Financial Institutions – International Monetary Fund (IMF), Asian Development Bank (ADB), International Bank for Reconstruction and Development (IBRD), Bank for International Settlement (BIS) and Organization for Economic Cooperation and Development (OECD).

#### **References:**

Eiteman, David K. Stonehill, Arthur I., and Moffett, Michael H. (2001). Multinational Business Finance (15th ed.). Pearson [Chapters: 1, & 2]

These MLAs will be studied directly from their respective websites like:

<https://www.imf.org/en/About> ; <https://www.worldbank.org/> ; <https://www.adb.org/>

<https://www.bis.org/> ; <https://www.oecd.org/>

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### Unit II

(3 Weeks)

The Foreign Exchange Markets: Introduction, types: Global and Domestic market, spot market and forward market; rates: direct and indirect quotations, bid-ask spread; Functions of the Foreign Exchange Markets; determination of forward premiums and discounts, interest arbitrage – covered interest arbitrage and interest parity theory – forecasting of foreign exchange rates.

#### References:

Eiteman, David K. Stonehill, Arthur I., and Moffett, Michael H. (2001). *Multinational Business Finance* (15th ed.). Pearson [Chapters: 5, 6, & 9]

### Unit III

(3 Weeks)

Financial management of the Multinational Firm – Cost of Capital and Capital Structure of a Multinational Firm – determining capital structure components, Cost of capital for MNCs (Multinational Corporations) and Domestic Firms, Multinational capital budgeting – Problems and issues in foreign investment analysis.

#### References:

Eiteman, David K. Stonehill, Arthur I., and Moffett, Michael H. (2001). *Multinational Business Finance* (15th ed.). Pearson [Chapters: 13, 14, 15 & 18]

### Unit IV

(3 Weeks)

Payment Systems: Payment terms and financing international trade, international flow of funds and portfolio investment in India, FDI (Foreign Direct Investment) vs. FIIs (Foreign Institutional Investors), investment strategies of FIIs in India, FIIs and volatility, impact of FIIs investment on stock markets and public policy. Netting (with numerical), pooling, leading and lagging as international payment settlement.

#### References:

Eiteman, David K. Stonehill, Arthur I., and Moffett, Michael H. (2001). *Multinational Business Finance* (15th ed.). Pearson [Chapters: 16, & 17]

#### Text Books:

1. Eiteman, David K. Stonehill, Arthur I., and Moffett, Michael H. (2001). *Multinational Business Finance* (15th ed.). Pearson.
2. Shapiro, Allen C. (1995). *Multinational Financial Management*, Prentice Hall India.

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### **Additional Readings:**

1. Levi, Maurice (1996), International Finance, McGraw Hill Inc., (4th ed.). New York, New Delhi.
2. Madura, J. (2009). International Financial Management (10thed.). New Delhi, Cengage Learning.
3. Buckley, A. (2004). Multinational Finance (5th ed.). Pearson Education.

### **Teaching Learning Process:**

Class room lecture; Case study discussion; Numerical Problem solving; Class presentation on the assigned topic by students individually or in group; Workshop; Tutorials; Role play

### **Assessment Method:**

1. Internal evaluation of 25% marks
  - a. Attendance 5% marks
  - b. Two internal evaluations by the teacher with 10% marks each out of which one must be a class test and other may be another test or home assignment or presentation. Faculty may take more than two assignments and (or) tests but total will be only 20% marks.
2. End term University Exam of 75% marks

### **Keywords:**

MNCs; International Financial Institutions; Foreign Exchange Markets; Foreign Direct Investment; Multinational capital budgeting; International payment settlement