

## **FC602: INTERNATIONAL FINANCE**

### **Course Objectives:**

The objective of this paper is to equip the students with the techniques that can help them in managing the financial issues in international environment. This course will help them to manage MNCs in more effective manner.

### **Learning Outcomes:**

After completion of this paper:

- Students shall have a fair understanding of the international financial tactics including the international trade, international investment scenario and various kinds of exposures.
- Students will be aware of the different kinds of foreign exchange management techniques including hedging, currency arbitrage, etc.
- They will be in a position to manage multinational working capital in an efficiently and effectively.
- Students will also understand & manage the risks that MNCs have to deal with.

### **Course Contents:**

#### **Unit I**

**(2 weeks)**

Introduction: concept of International trade, International Business, International Finance and differences among them. Theories of International trade, International trade financing in India, Balance of payments (of India)

International Monetary System: Different types of Exchange rate mechanisms- the gold standard, the gold exchange standard, The Bretton Woods System, Current monetary system, European Monetary Union. IMF and World Bank. Different development banks like ADB, BRICS Development Bank and EBRD etc.

#### **References:**

Maurice D. Levi; "International Finance" 5ed. Routledge, Taylor & Francis Group [chapters: 1, 7 & 11]

Eun Cheol S. and Resnick, Bruce G. "International Finance Management", 7<sup>th</sup> ed, McGraw Hill [chapters: 1, 2 & 3]

Hill, W. L. Charles and Jain, A.K. (2008). International Business (6th ed). India: McGraw Hill [chapter: 5]

Balance of Payments of India should be read from [www.rbi.org.in](http://www.rbi.org.in)

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### Unit II

(3 weeks)

Foreign Exchange Management: Forex market –Wholesale and Domestic market, Quotations-direct, indirect and cross currency; various kinds of transactions and their settlement dates, forward rates, Swaps, Quotes for various kinds of Merchant transactions; Early delivery, extension or cancellation of Forward contracts. Concept of cryptocurrency.

Exchange Rate determination and Forecasting: Purchasing power parity and Interest rate parity, relationship between PPP and IRP, reasons for deviation from PPP and IRP; models of exchange rate forecasting- forward rate as an unbiased predictor, the Demand-Supply approach, the monetary approach, the Asset approach, the portfolio balance approach, other models.

#### References:

Maurice D. Levi; “International Finance” 5ed. Routledge, Taylor & Francis Group [chapters: 2, 3, 5, 6, 7, 8, 9, 10 & 16]

Eun Cheol S. and Resnick, Bruce G. “International Finance Management”, 7<sup>th</sup> ed, McGraw Hill [chapters: 5 & 6]

### Unit III

(2 weeks)

Foreign Exchange Exposures: Financial Accounting and Foreign Exchange-Alternative Currency Translation Methods, Statement of Financial Accounting, Standards No.8, Statement of Financial Accounting Standards No.-52, Transaction Exposure, Managing Accounting Exposure-Managing Transaction and Translation Exposure, Designing a Hedging Strategy, Measuring and managing Economic Exposure-Foreign Exchange Risk and Economic Exposure, Identifying Economic Exposure, Calculating Economic Exposure, Operational Measure of Exchange Risk.

Multinational Financial System- Value of the Multinational Financial System, Inter-company Fund-Flow Mechanisms: Cost and Benefits, Designing a Global Remittance Policy, Transfer Pricing and Tax Evasion. Issue of GDR, ADR Euro bonds and foreign bonds.

#### References:

Maurice D. Levi; “International Finance” 5ed. Routledge, Taylor & Francis Group [chapters: 13 & 14]

Eun Cheol S. and Resnick, Bruce G. “International Finance Management”, 7<sup>th</sup> ed, McGraw Hill [chapters: 8, 9, 10, 11, 12 & 13]

### Unit IV

(2 weeks)

International Investment Management: International Portfolio Investment-Issues in Foreign Investment Analysis, International Bond Investing, Strategies for Direct Investment, Bond

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Investment & Portfolio Investment, Optimal International Asset Allocation. International project appraisal-IRR and APV methods; Managing Political Risk-Measuring Political Risk, Country Risk Analysis, Managing Political Risk, Post-expropriation Policies.

Multinational Working Capital Management: Current Asset Management for the Multinational-International Cash Management, Accounts Receivables Management, Inventory Management.

### **References:**

Maurice D. Levi; "International Finance" 5ed. Routledge, Taylor & Francis Group [chapters: 17, 18, 19, 20 & 21]

Eun Cheol S. and Resnick, Bruce G. "International Finance Management", 7<sup>th</sup> ed, McGraw Hill [chapters: 15, 16, 17, 18, 19, 20 & 21]

### **Text Books:**

1. Maurice D. Levi; "International Finance" 5ed. Routledge, Taylor & Francis Group.
2. Eun Cheol S. and Resnick, Bruce G. "International Finance Management", 7<sup>th</sup> ed, McGraw Hill.
3. Hill, W. L. Charles and Jain, A.K. (2008). International Business (6th ed.). India: McGraw Hill.

### **Additional Readings:**

1. PG Apte; International Finance, Tata McGraw Hill.
2. Alan C. Shapiro; Multinational Financial Management- Prentice Hall

### **Teaching Learning Process:**

1. Class room lecture
2. Case study discussion
3. Numerical Problem solving
4. Class presentation on the assigned topic by students individually or in group
5. Workshop
6. Tutorials
7. Role play

### **Assessment Method**

1. Internal evaluation of 25% marks

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- 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

### **Key words:**

1. International trade
2. Bretton Woods System
3. Balance of payments (of India)
4. Foreign Exchange Risk
5. International Portfolio Investment
6. International project appraisal