DSEF06 – International Financial Management

Masters of Commerce
Semester IV
DSE – Elective Paper
International Financial Management

Course Type/ Course Code	Course Title	Lectures	Tutorials	Practical	Credit	Pre-requisites
DSEF06	International Financial Management	3	1	0	4	NIL

Objective: The course aims to provide students with a comprehensive understanding of the financial management functions of multinational enterprises (MNEs). It equips them with analytical tools for sound financial decision-making in an international context, focusing on exchange rate mechanisms, cross-border investment, capital structure, and risk management. The course emphasizes practical understanding of global financial markets, hedging techniques, and international portfolio diversification, with reference to both global and Indian perspectives.

Learning Outcomes: After completion of the course, learners will be able to:

- Explain the structure and functioning of multinational enterprises, the environment of international financial management, and the operation of foreign exchange markets.
- Apply analytical techniques for evaluating cross-border investment and financing decisions, incorporating risks such as exchange rate, political, and country risk.
- Analyze international working capital, capital structure, and transfer pricing practices of MNEs, and evaluate their implications for global financial performance.
- Evaluate different types of foreign exchange and interest rate exposures, and apply risk management and international portfolio diversification strategies in global financial markets.

Contents:

Unit I **(11 Hours)**

Globalization and the nature of multinational enterprises (MNEs); objectives and scope of international financial management; complexities in global financial decision-making; foreign exchange markets—structure, participants, spot and forward markets, and quotations; arbitrage, hedging, and speculation; covered interest parity; determinants of exchange rates; role of central banks and global monetary systems; contemporary issues in international financial management.

Unit II **(11 Hours)**

Nature and types of cross-border investment decisions; greenfield investment versus mergers and acquisitions; estimation of cash flows from international projects; valuation methods—adjusted present value (APV) and risk-adjusted discount rate; incorporation of currency, political, and country risks in decision-making; international cost of capital and financing of overseas subsidiaries; evaluation of capital budgeting under uncertainty.

Unit III **(11 Hours)**

International working capital management—cash, inventory, and receivables; international capital structure and cost of capital; determinants of capital structure in MNEs; dividend and repatriation policies; internal financing and transfer pricing mechanisms; international taxation and double taxation avoidance agreements (DTAAs); regulatory framework for Indian multinationals; financial performance evaluation in a global context.

Unit IV **(12 Hours)**

Types of foreign exchange exposures—transaction, translation, and economic; measurement and management of currency risk using forwards, futures, options, and swaps; interest rate risk—nature, measurement, and management using futures and swaps; role of derivatives in hedging strategies; international portfolio investment—risk-return analysis, international CAPM, diversification benefits, and global equity market integration.

Tutorial Exercise:

The students shall be asked to undertake exercises and case analyses on exchange rate determination, cross-border investment appraisal, and foreign exchange exposure management. Tutorials will include discussions on the financial statements of multinational firms, assessment of global risk exposures, and analysis of international diversification strategies using real-world cases.

Suggested Readings:

- Apte, P. G. (2011). *Multinational Financial Management.* Tata McGraw-Hill.
- Bekaert, G., & Hodrick, R. J. (2014). *International Financial Management.* Prentice Hall.
- Eun, C. S., & Resnick, B. G. (2017). *International Financial Management.* Tata McGraw-Hill.
- Levi, M. D. (2009). *International Finance.* Routledge.
- Madura, J. (2013). *International Financial Management.* Cengage Learning.
- Shapiro, A. C. (2010). *Multinational Financial Management.* John Wiley & Sons.
- Sharan, V., Singh, A. K., Shrivastav, R. K. (2025). *International Financial Management* (7th ed.). PHI Learning Pvt. Ltd.
- Rathinasamy, R. S., Livingstone, L., & Sahu, C. (2011). "Global Cost of Capital: The Case of Global Computer Systems." *Review of Business & Finance Case Studies,* 2(1), 1–17.
- International Monetary Fund (IMF) and Bank for International Settlements (BIS) Annual Reports.
- Reserve Bank of India. *Handbook of Statistics on Indian Economy.*