

Discipline Specific Elective Course- 7.4(DSE-7.4): International Finance

CREDIT DISTRIBUTION, ELIGIBILITY AND PRE-REQUISITES OF THE COURSE

Course title & Code	Credits	Credit distribution of the course			Eligibility criteria	Pre-requisite of the course (if any)
		Lecture	Tutorial	Practical/ Practice		
International Finance: DSE-7.4	4	3	1	0	Pass in Class XII	NIL

International Finance BC: DSE- 7.4

Learning Objectives:

The course aims to familiarize the students with the principles and practice of international finance.

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

1. Describe the International Monetary System and the nature and scope of international finance.
2. Examine Foreign Exchange Markets.
3. Analyse the factors affecting the exchange rates.
4. Examine the International Financial Markets and Instruments.
5. Evaluate various kinds of risks due to fluctuation in the exchange rate and management of these risks.
6. Analyse issues in International Capital Budgeting.

Course Contents:

Unit 1: International Financial Environment (9 hours)

Evolution of International Monetary System, Bimetallism, Gold Standard, Bretton Woods System, Flexible Exchange Rate Regime and Current Exchange Rate Arrangements. Globalization and Multinational Enterprise. Issues in international finance.

Unit 2: Foreign Exchange Markets and Exchange Rate Determination (18 hours)

Spot Markets, Spot Rate Quotations, Trading in Spot Markets, Cross Exchange Rates. Forward Markets: Concept of Forward Rates, Long and Short Forward Positions, Forward Premium and Discounts. Arbitrage, Hedging and Speculation.

Factors affecting Exchange Rate, Relative Inflation Rate, Relative Interest Rate, Relative Income Levels, Government Controls, expectations, etc. Theories of Exchange Rate (Purchasing Power Parity, Interest Rate Parity and Fisher's Effect).

Unit 3: International Financial Markets and Foreign Exchange Risk Management (9 hours)

Foreign Portfolio Investment, International Bond and Equity market, GDR, ADR. International Financial Instruments, Foreign Bonds, Eurobonds and Global Bonds. Floating rate Notes, Zero-coupon Bonds. Types of risk exposure - Transaction exposure, Economic exposure and Translation exposure, Measurement of risk exposure. Management of currency risk using currency forwards and futures, currency options and currency swaps. Interest Rate Risk and its management.

Unit 4: International Capital Budgeting (9 hours)

Cross border investment decision: Types and issues, Greenfield investment vs. cross border M&As. Estimation of cash flows from cross border investment projects. Risks in cross border investment decision-currency risk, political risk, country risk, inflation risk etc. Valuation techniques by incorporating risk and other factors.

Exercises:

The learners are required to:

1. Study RBI and other websites to evaluate the impact of change in exchange rates.
2. Use various software to assess the impact of different factors on exchange rates.
3. Calculate cross exchange rate to find arbitrage opportunities.
4. Select the appropriate international financial instruments as per investment needs.
5. Select the appropriate instrument for managing the risk.
6. Study cross- border mergers and acquisitions.
7. Evaluate cross-border investment opportunities.

Suggested Readings:

- Agnihotri, A. International Financial Management, India: Vikas Publications.
- Apte, P. G. (2017). Multinational Financial Management. Delhi, India: Tata McGraw-Hill.
- Eun, C. S., & Resnick, B. G. (2017). International Financial Management. Delhi, India: Tata McGraw-Hill.
- Madura, J. (2021). International Financial Management. Boston, United States: Cengage Learning.
- Levi, M. D. (2009). International Finance. New York, United States: Taylor and Francis Ltd.
- Shapiro, A. C. (2019). Multinational Financial Management. West Sussex, United Kingdom: John Wiley.
- Sharan, V. (2012). International Financial Management (6th ed.). Delhi, India: PHI Learning.
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Note: Suggested readings will be updated by the Department of Commerce and uploaded on Department's website.