

## DSE 14: 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
		Lecture	Tutorial	Practical/ Practice		
International Finance (DSE 14)	4	3	1	0	Class XII	Basics of Finance

#### Learning Objectives:

- To equip students with the techniques that can help them in managing the financial issues in the international environment.

#### Learning Outcomes:

On successful completion of his course, the students will be able to:

- Explain international financial tactics including the international trade, international investment scenario and various kinds of exposures.
- Describe foreign exchange management techniques including hedging, currency arbitrage, etc.
- Comprehend and evaluate multinational working capital efficiently and effectively.
- Describe and manage the MNC risk.

#### Syllabus DSE 14:

##### **Unit 1: International Trade and International Financial Systems. (6 hours)**

Concept of International Trade, Theories of International Trade. Balance of Payments (BoP) of India. International Monetary System: Different types of Exchange Rate Mechanisms – the Classical Gold Standard, the Gold Exchange Standard, The Bretton Woods System, Current Monetary System.

##### **Unit 2: Forex Market and Forecasting Exchange Rate (15 hours)**

Foreign Exchange Management: Forex Market – Spot and Forward market, Quotations – Direct, Indirect and Cross currency; Types of Transactions and their Settlement Dates. Forward rates, Swaps. Discounts and Premiums in Forward Market. Currency Arbitrage in Spot Markets.

Exchange Rate Determination and Forecasting: Models of Exchange Rate Forecasting, Purchasing Power Parity, The Fisher Effect, The International Fisher Effect, Interest Rate Parity Theory, Forward Rate as an Unbiased Predictor. Factors affecting Exchange Rates.

##### **Unit 3: Managing Foreign Exchange Exposures (12 hours)**

Foreign Exchange Exposures – Translation Exposure, Economic Exposure, and Transaction Exposure. Management of Translation Exposure – Alternative Currency Translation Methods. Management of Economic Exposure – Measuring Economic Exposure, Managing Operating Exposure. Management of Transaction Exposure – Forward Market Hedge, Money Market Hedge, and Options Market Hedge.

##### **Unit 4: Multinational Financial Management (12 hours)**

International Project Appraisal – APV method. Multinational Working Capital Management: Multinational Cash Management (Bilateral and Multilateral Netting). Measuring and Managing Political

Risk. International Investment Management: International Portfolio Investment – The Risks and Benefits of International Equity Investing, International Diversification, International Bond Investing, Optimal International Asset Allocation, Measuring Returns from Foreign Portfolio Investment. Raising Funds from abroad – GDR, ADR, Euro bonds, and Global bonds.

**Essential/recommended Readings (latest editions of readings to be used)**

1. PG Apte; *International Financial Management*, Tata McGraw Hill. (Latest Edition)
2. Alan C. Shapiro, *Multinational Financial Management*, Prentice Hall (Latest Edition)

**Suggestive Readings (latest editions of readings to be used)**

1. Eun Cheol S. and Resnick, Bruce G. “*International Financial Management*”, McGraw Hill.
2. Maurice D. Levi, “*International Finance*”, Routledge, Taylor & Francis Group.

**Note:** Examination scheme and mode shall be as prescribed by the Examination Branch, University of Delhi, from time to time