

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

DISCIPLINE SPECIFIC ELECTIVE - GLOBAL BUSINESS MANAGEMENT (DSE-5)

DSE 5: MULTINATIONAL BUSINESS 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		
Multinational Business Finance (DSE 5)	4	3	1	0	Class XII	Basic knowledge of Finance

Learning Objective

The course will help the learner to:

- Understand the international monetary system and role of financial institutions.
- Recognize different aspects of foreign exchange markets and their functioning.
- Analyse and appraise financial Management of a multinational firm.

Learning Outcomes

On successful completion of the course the learner will be able to:

- Understand MNCs operations and finances.
- Explain functioning of Multilateral Agencies and their role in global economic development.
- Analyse different aspects of the foreign exchange markets.
- Apply financial management concepts and tools for foreign Investment analysis
- Understand International Payment system and investment strategies

SYLLABUS FOR DSE 5

Unit 1: Introduction

(12 Hours)

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:

Unit 2: Forex Markets

(9 Hours)

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.

Unit 3: Financial Management of Multinational Firms (12 Hours)

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.

Unit 4: Role of FDI, FII and Payment Systems (12 Hours)

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.

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

1. Eiteman, David K., Stonehill, Arthur I., and Moffett, Michael H (2021). *Multinational Business Finance*. Pearson.
2. Alan C. Shapiro, P. H. (2019). *Multinational Financial Management*. Wiley.

Suggestive Readings (latest editions should be referred to)

1. Levi, M. D. (2009). *International Finance*. Taylor & Francis.
2. Madura, J. (2018). *International Financial Management*. Cengage Learning.
3. Buckley, A(2004). *Multinational Finance*. Pearson Education.

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