

## Bachelor of Arts (VS)- Insurance Management

### Semester VIII

#### Discipline Specific Elective Course -8.3 (Dse-8.3)- International Financial Management

#### 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 FINANCIAL MANAGEMENT (DSE- 8.3)	4	3	-	1	12th	-

#### Learning Objectives:

- To acquaint students with the conceptual framework of key decision areas in multinational business finance.
- To provide an overview of the financial environment in which multinational firms operate.
- To develop an understanding of financial strategies and challenges faced by multinational corporations.
- To enable students to analyze international financial markets and instruments.

#### Learning Outcomes

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

- Explain globalization and its importance for multinational financial managers.
- Describe the international monetary system and its role in global finance.
- Outline the functions and workings of foreign exchange markets.
- Apply theories of foreign exchange rate movements.
- Identify foreign exchange risks faced by multinational corporations.
- Recommend strategies to manage foreign exchange risks.
- Determine the cost of capital for multinational firms.
- Propose optimal capital structures for multinational companies.
- Evaluate foreign investments using NPV, IRR, and APV.
- Conduct country risk assessments for financial decision-making.
- Develop strategies for raising funds in international markets.

#### Course Content

(Theory 45 Hours + 30 hours Practical)

#### Unit 1: Multinational Business Finance

10 Hours

An overview, agency problem, objectives of the firm and risk management, international financial management and domestic financial management, motivations for international finance. International monetary system- the gold standard, the Bretton woods system, the flexible exchange, alternative exchange rate systems, the European monetary system.

### **Unit 2: The Foreign Exchange Markets**

**10 Hours**

Functions of the foreign exchange market, the foreign exchange rates- direct and indirect quotations, spot market and forward market, bid- ask spread, interest arbitrage- covered interest arbitrage and interest parity theory, growth of the swap market, interest rate and currency swaps, theories of foreign exchange rate movement and international parity conditions- purchasing power parity, international fisher effect.

### **Unit 3: Management of Foreign Exchange Risk**

**10 Hours**

Translation exposure, comparison of four translation methods, transaction exposure- measurement and management of transaction exposure, economic exposure- transaction exposure versus economic exposure. Managing foreign operations- eurocurrency markets- eurocurrency interest rates, domestic issues v/s euro issues, international bonds markets, masala bond, external commercial borrowings, performance of Indian Euro issues, GDRs and ADRs.

### **Unit 4: Financial Management of the Multinational Firm**

**15 Hours**

Cost of capital and capital structure of the multinational firm, cost of capital for MNCs v/s domestic firms, multinational capital budgeting: problems and issues in foreign investment analysis, techniques of multinational capital budgeting-Net Present Value (NPV), Internal Rate of Return (IRR), and Adjusted Present Value (APV).

**Practical:** The learners are required to:

0. Track daily exchange rates (USD/INR, EUR/USD, GBP/INR) for 10 days/months/years and prepare a report on that.
1. Use live forex data to calculate cross exchange rates and check for any arbitrage opportunities.
2. Use MS. Excel to evaluate a multinational project using NPV and IRR, factoring in exchange rate risk.
3. Take a hypothetical MNC and identify where it faces transaction, translation, and economic exposure and prepare a report on that.
4. Design a comparative matrix evaluating Masala Bonds, ECBs, GDRs, and ADRs across key dimensions such as purpose, risk, cost, and regulatory framework.
5. Conduct a comparative analysis of three countries—such as India, the USA, and Germany—focusing on their exchange rate regimes and central bank policy frameworks.
6. The learners are required to do practical exercise from unit 1, 2, 3 & 4.

### **References**

- Buckley, A. (2009). *Multinational finance* (5th ed.). Pearson Education.
- Shapiro, A. C. (2013). *Multinational financial management* (10th ed.). John Wiley & Sons, Inc.

- Brigham, E. F., & Daves, P. R. (2016). *Intermediate financial management* (12th ed.). South-Western Cengage Learning.
- Resnick, B. G., & Eun, C. S. (2014). *International financial management* (7th ed.). McGraw Hill.
- Hull, J. C., & Basu, S. (2018). *Options, futures, and other derivatives* (10th ed.). Prentice Hall of India.
- Madura, J. (2018). *International financial management* (13th ed.). Cengage Learning India Pvt Ltd.
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- Levi, M. D. (2018). *International finance* (6th ed.). Routledge.
- Vij, M. (2018). *International financial management* (3rd ed.). Excel Books.
- Data source: <https://www.rbi.org.in/#>