

MANGALORE UNIVERSITY
Department of Commerce
M.Com.

CMH 554: INTERNATIONAL FINANCIAL MANAGEMENT

Work load: 3 hours lecture and 2 hours tutorial per week: total 4 credits

Learning Objectives:

- To orient the students on global business environment and international markets.
- To make students understand the various risks an enterprise is exposed to on account of international transactions.
- To provide knowledge and skills for hedging foreign currency risks.

Course Out Comes:

1. Explains the basic features and functions of international financial systems & develops & appreciation in foreign exchange exposure and management.

Unit 1: Global Financial Environment

Evolution of International Monetary System, Bimetallism, Classical Gold Standard, Interwar Period, Bretton Woods System, Flexible Exchange Rate Regime, The current Exchange Rate Agreements, European Monetary System, Fixed vs. Flexible Exchange Rate Regime.

Unit 2: Balance of Payments

Introduction, Accounting Principles in Balance of Payments, Valuation and Timing, Components of the Balance of Payments, „Surplus“ and „Deficit“ in Balance of Payments, Importance and limitations of BOP Statistics, Relationship of BOP with other economic variables.

Unit 3: International Financial Markets

Motives for using International Financial Markets. Foreign Exchange Market – History and Transactions, interpreting Foreign Exchange Quotations, International Money Markets, International Credit Markets and International Bond Markets. Comparison of International Financial Markets.

Unit 4: Exchange Rate Determination

Purchasing Power Parity Theory, Interest Rate Parity Theory, International Fischer's Effect, Pure Expectations Theory.

Unit 5: Foreign Exchange Risk and Risk Hedging Strategies

Transaction Risk, Translation Risk, Economic Risk. Risk Hedging Strategies: Internal – Netting, Leads and Lags. External – Forwards, Futures, Options, Money-market Hedging, Currency Swaps.

Unit 6: Interest Rate Risk and Risk Hedging Strategies

Interest Rate Swaps, Forward Rate Agreements, Interest Rate Futures, Interest Rate Options, Caps, Floors and Collars, Swaption.

REFERENCES

1. Alan Shapiro: *Multinational Financial Management* , Prentice Hall, New Delhi.
2. Apte, Prakash, “International Finance – A Business Perspective”, Tata Mc GrawHill.
3. *David B. Zenoff & Jack Zwick: International Financial Management.*
4. Rita M. Rodriguez L. Bigame Carter: *International Financial Management.*
5. V. A. Avadhani: *International Finance- Theory and Practice*, Himalaya PublishingHouse.
6. Madura, Jeff, “International Corporate Finance”, ThomsonSouth-Western.
7. Sharan, Vyuptakesh, “International Financial Management”, Prentice Hall ofIndia.
8. Jain, Peyrard, and Yadav” “International Financial Management”,MacMillan
9. J. Fred Weston, Bart: *Guide to International FinancialManagement.*
10. Robery O. Edmister: *Financial Institutions - markets andManagement.*
11. A.V. Rajwade: *Foreign Exchange International Finance and Risk Management*, Prentice Hall.

