

MB304.1: International Finance

Learning Objectives:

- a. To introduce students to the world of international finance
- b. To enrich student's understanding of the fundamental concepts and working of international financial environment
- c. To equip students with the knowledge and skills necessary to become employable in the Global financial industry.

Unit-I: International Financial System:

Evolution of International Financial System, Gold Standard, Bretton Woods Standard, Floating Exchange Rate; Currency Board, Sterilized and Unsterilized Intervention; International Financial Markets-Eurocurrency Market, International Bond Market, International Equity Market, International Money Market; Global Financial Institutions: IMF, Bank for International Settlements- International Financial Instruments: Euro CP, Eurobonds, Foreign Bonds, Global Bonds, Euro Equity, ADR, GDRs

Unit-II: Foreign Exchange Market and International Parity Relationships:

Participants in Foreign Exchange Market, Structure of Foreign Exchange Market in India; Quotes in Spot Market and Forward Market, Triangular Arbitrage; Currency Derivatives Forwards, Futures, Forward Rate Agreement, Options, Swaps; Foreign Exchange Management Act ; BOP, BOP trends in India; Current Account Convertibility, Capital Account Convertibility, Tara Pore Committee Report; Parity Conditions- Purchasing Power Parity, Interest Rate Parity, International Fisher Effect, Unbiased Forward Rate Theory.

Unit-III: Multinational Corporate Decisions in Global Markets:

Foreign Investment Decision-Foreign Direct Investment (FDI) Motives, FDI Theories- Theory of Comparative Advantage, Modes of Foreign Investment Licensing, Management Contracts, Joint Venture, Greenfield Investment, Acquisition, Strategic Alliance, Evaluation of Overseas Investment Proposal using NPV, Financial Goals of MNC, International Cash Management, Multinational Capital Structure Decision, Cost of Capital, International Portfolio Diversification: Rationale, Barriers, Project Financing

Unit-IV: Risk Management in Multinational Corporations:

Types of Risk-Currency Risk, Transaction Exposure, Translation Exposure, Accounting Standard for Translation Exposure in India, Economic Exposure and Assessment; Interest Rate Risk, Country Risk Assessment Political Risk, Financial Risk; Risk Management through Hedging-Natural Hedges, Hedging with Currency Derivatives Forward Market Hedge, Options Market Hedge, Money Market Hedge, Internal Techniques of Hedging .

Unit-V: International Tax Environment:

Types of Tax Income Tax, Withholding Tax, Value Added Tax, Tobin Tax; Taxation Methods Worldwide Approach, Territorial Approach; Tax Havens, Offshore Financial Centres, Rein Voicing Centre; Tax Treaties- Double Taxation Avoidance Agreement, Multilateral Tax Treaties; Foreign Tax Credit, Tax Neutrality, Tax Equity,

Taxes and the Location of Foreign Operations, Tax Implications of Dividend Remittance by Overseas Affiliate , TP Methods, TP Rules in India.

Suggested Books:

1. Eun C.S., Resnick B.G, International Financial Management, Tata McGraw Hill Education Pvt. Ltd., 4th Ed. Special Indian Edition.
2. Levi M., International Finance, 2009, 5th Ed. Routledge, Taylor & Francis Group.
3. Shailaja G, International Finance, 2010, 2nd Ed. OrientBlack'Swan.
4. Hendrik Van den Berg, International Finance and Open Economy Macro Economics, 2009, 1st Ed. Cambridge.
5. Sharan V, International Financial Management, 2009, 5th Ed. PHI, EEE.

Learning Outcomes : After completion of the course the students will be able :

- a) To understand the international financial environment.
- b) To acquire an understanding of various concepts related to foreign exchange markets , their operations and functions
- c) To appreciate the risk management techniques adopted by global firms
- d) To understand the International Taxation environment.