

MBG5023 International Finance

Course Code	MBG5523	Semester	IV
Course Title	International Finance		
Credits	3	Type	Core

This is a problem-solving, skill development and employability-based course which aims to provide the students with a basic understanding of how international monetary transactions occur.

Course Description

To provide the students an overall view of the international financial system and how multinational corporations operate. Create an understanding of the international financial markets function.

Course Outcome

By the end of the course, students are expected to be able to gain the following learning outcomes.

1. Knowledge gained:
 - Develop a basic understanding on Exchange rates and the functioning of Foreign exchange markets.
 - Understand the issue dealt in international finance and investments.
 - Understand the various international monetary systems present.
 - understand the basics of Balance of payment position of our country and the exchange rate regime followed by India.
 - Understand the financial institutions functioning in India and globally and their roles in the foreign exchange market.
 - Understand the documentation process in international transactions.
2. Skills gained:
 - analyse the methods of international currency transactions
 - evaluate risk in foreign exchange management and device strategies to mitigate it.
3. Competency gained:
 - manage the cash flow of the organization
 - manage the partnership
 - documentation and exchange transaction process

Course Structure

The following is a detailed syllabus.

Module I : Fundamentals of foreign exchange (6 hours)

Module Description: Need for foreign exchange - definitions - international trade and foreign exchange - gains from international trade - international finance - gains from international capital flow - globalization of markets.

Module II : Exchange rate mechanism (6 hours)

Module Description: Types of exchange rates- factors affecting exchange rates and forward rates - types of quotation - rules for quoting exchange rate regime in India - evolution, development and present status - theories of exchange rate determination - exchange rate forecasting.

Module III : International Monetary System (6 hours)

Module Description: Gold Standard - Bretton Wood System and Subsequent International Monetary Developments - Floating Rate Regime - Role and Functions of International Monetary Fund and World Bank - European Monetary system and Euro Balance of Payment - India's Balance of Payment position - Elements of open Economy. Capital and Current Account Convertibility - Fundamental parity relations - purchasing power parity covered and uncovered - Interest Rate parity - International Fisher Effect.

Module IV: International Financial Markets (6 hours)

Module Description: Segments, Participants and Dealing Procedures - Classification of Markets - Borrowing and Investing in International Financial Markets. Instruments and Institutions - Foreign Exchange Market in India - Evolution and Development - Major Centres - Classification - Interbank and Customer Markets - Regulatory and Supervisory Framework - Role of RBI and FEDAI - FEMA and Exchange Control Regulations.

Unit V : Foreign Exchange Risk Management (6 hours)

Module Description: Defining and Measuring Risk and Exposure - Types of Exposures - Accounting of Foreign Exchange Transactions - Hedging, arbitrage and Cover Operations - Hedging with Foreign Exchange Contracts - Booking, Early Delivery, Extension and Cancellation of Forward Contracts - Inter Bank Dealings - Swaps and Cover Operations - Forex and Money Market Operations - Currency and Funds Position - Foreign Exchange Dealings and Risk Management - Risk Control and Risk Management System - Hedging with Derivatives - FRAs Swaps Futures and Options.

Testing & Evaluation (if any)

- Assignments
- Case analysis/ Problems
- Seminar/Project
- Discussions/ Group activity
- Internal Assessment

References

1. Kevin S, (2009), International Financial Management, Prentice Hall.
2. Alan C. Shapiro, (2013), Foundations of Multinational Financial Management, Wiley
3. P.G. Apte, (2010), International Financial Management, Tata McGraw-Hill Education
4. Abdullah Faud A, (1987), Financial Management for the Multinational Firms, Prentice-Hall
Keith Pilbeam, (2013), International Finance, Macmillan International.