

SEMESTER-VI**INTERNATIONAL FINANCIAL MANAGEMENT****1. Course Description**

Programme: B.COM (A&F, IB, H, CAP, IPP)

Course Code: U24/COM/DSE/602

Type of Course: DSE

No. of Credits: 5

Max. Hours: 75

Hours Per Week: 5

Max. Marks: 100

2. Course Objectives

- The course explores the complexities of corporate financial management in an international setting, where companies are subject to various risks including exchange rate and aims to enable Student trace the evolution of exchange rate system in the international Financial markets.
- The course emphasizes on the drawing of balance of payments account in a country.
- The course emphasizes the practical implications of finance theory and its application in the international financial market.

3. Course Outcomes

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

CO1: Recognize the difference in the operations in the International and Domestic Financial Markets.

CO2: Explain the various ways the exchange rate evolved over the years in the International markets.

CO3: Analyze and prepare the Balance of Payments account for a country.

CO4: Explain the functioning of Foreign Exchange Market.

CO5: Determine the exchange rates in spot and forward markets and recognize the operations in the currency market.

4. Course Content

MODULE I: INTRODUCTION (15 Hrs)

International Financial Management- Importance, nature, scope, emerging challenges in International Financial Management- recent changes in global financial markets-Role of International Financial Manager in Multinational Corporations-International Financial Management and Domestic Financial Management-Relationship between IFM and other management areas- International Financial environment (theory)

MODULE II: INTERNATIONAL MONETARY SYSTEM (15 Hrs)

Introduction- Exchange Rate regimes – overview of Specie Commodity Standard, Gold Standard and Bretton Woods System of Exchange Rates –Exchange Rate Regime since 1973-International Monetary Fund (IMF)- Role- Special Drawing Rights (SDR)- International Liquidity. IMF Solution for Financial Crisis (theory)

MODULE III: INTERNATIONAL FLOW OF FUNDS (15 Hrs)

Balance of Payments- structure of balance of payments-preparation of balance of trade and balance of payments (simple problems) -Equilibrium and disequilibrium of balance of payments- approaches to adjustment of disequilibrium of balance of payment-Capital Account Convertibility. Meaning of ADR and GDR.

MODULE IV: FOREIGN EXCHANGE MARKET (15 Hrs)

Meaning-Features of Foreign Exchange Market- Major Participants- Spot Market-Features- Currency Arbitrage in Spot Market-Speculation in Spot Market- Forward Market features Arbitrage in Forward Market- Forward Market Hedging- Speculation in Forward Market- Swapping Forward Contracts (Simple Problems)

MODULE V: EXCHANGE RATE MECHANISM (15 Hrs)

Exchange Rate quotations- Nominal, Real Effective Rates- Determination of Exchange rate in the Spot Market- Factors – Exchange Rate Determination in Forward Market (Simple Problems) Modern Theory-Theories of Exchange rate behavior – Balance of Payments approach -Monetary Approach-Portfolio Balance approach.

5. References

1. Vyuptakesh Sharan - International Financial Management - PHC
2. P.G.Apte - International Financial Management - Tata McGraw Hill - New Delhi
3. Jeff Madura - International Financial Management - Cengage Learning
4. Eun & Resnic - International Financial Management - Mac Graw Hill
5. Alan C Shapiro - Multinational Financial Management - John Wiley and Sons Ltd
6. Thummuluri Siddiah - International Financial Management - Pearson India

Model Question Paper - End Semester Exam**INTERNATIONAL FINANCIAL MANAGEMENT
MODEL QUESTION PAPER****Course Code: U24/COM/DSE/602****Credits: 5****Max Marks: 60****Time : 2 Hrs****SECTION – A****I. Answer the following. 5 x 10 = 50 M**

1. List out some of the complexities of international financial management compared to domestic financial management.

(OR)

2. Describe the nature and scope of international financial management.
3. “Gold standard provided price stability besides authenticity in exchange rate and BoP adjustment.” Explain.
4. What is SDR? Explain how their creation and allocation has been able to improve international liquidity.
5. What is the disequilibrium of Balance of Payments? Examine the Elasticity approach to adjust disequilibrium of BoP.

(OR)

6. Examine the following information carefully and calculate the overall Balance of Payment account showing the different components and their totals.

Item	Debit (US\$ million)	Credit (US\$ million)
Trade in goods	55,383	38,285
Services such as travel, transport & others	11865	15720
Statistical Discrepancy	-	323
Unilateral transfers	34	12,672
Foreign investment	7,123	12,240
External Assistance	2,183	3,074
External Commercial Borrowings	2,874	3,207
Investment income	5,490	1,931
Banking Capital	8,532	11,259
Rupee debt service	711	-
Other capital transactions	2,510	4,018

7. How is hedging done in the forward market? Explain with examples.

(OR)

8. A. If the exchange rate is US\$2.0000-2.0100/£ in New York and US\$ 1.9800-1.9810/£ in London, explain how arbitrageurs can gain.

B. An Indian exporter expects appreciation of USD while importing goods for US\$ 1,000. So, he goes for buying \$1000 one-month forward coinciding the time of payment for the import. The spot rate and forward rate are respectively INR74.1475 and INR 74.1585 per USD. Surprisingly the future spot rate on maturity is INR 74.1535. Will the forward deal be beneficial? Explain your answer.

9. Compare the different theories of exchange rate determination.

(OR)

10. A. Consider the following Bid and Ask prices for USD/INR: 73.6800-73.6900.

Determine the bid and ask prices for rupee and what is the bid/ask spread.

B. Determine the three-month forward rate, if the spot rate is INR 73.50/USD and interest rate in India and the USA is 9% and 3% respectively.

SECTION – B**II. Answer any five of the following.****5 × 2 = 10 M**

11. Define International Financial Management
12. Explain about sterilized intervention.
13. List out the components of the balance of payment?
14. Explain about a forward contract.
15. Compare the foreign exchange quote- Bid and Ask rates.
16. What do you mean by SDR?
17. Explain the features of Foreign Exchange Market.