

COURSE TITLE : INTERNATIONAL FINANCIAL MANAGEMENT

FACULTY :

COURSE DESCRIPTION: This course looks at financial decisions arising from developments in the international financial markets and exchange rates from the point of view of multinational enterprises. Topics may include pricing in the foreign currency and Eurocurrency markets, use of forward exchange for hedging, short-term returns and market efficiency in the international money markets, foreign currency financing, financing foreign trade, pricing of foreign currency bonds, currency swaps, Eurocurrency syndicated loans, and exposure management.

Pre-requisites: **Fin 101/Fin 102/Fin 103 or Fin 105**

COURSE OBJECTIVES:

1. To introduce the student to the international economic and political environment in which the multinational firm must operate.
2. To teach the student how to measure and manage foreign exchange exposure, a task that plays an important role in determining a multinational firm's future profitability, net cash flow, and market value.
3. To provide the student with a framework for analyzing how MNEs can utilize the global capital market in order to minimize their cost of capital and maximize capital availability, the key to a multinational firm's competitiveness in both its domestic and its foreign markets.
4. To discuss some important activities involved in managing multinational operations, such as repositioning funds, MNE working capital management, and financing international trade, tasks that absorb most of the time and effort of financial managers in MNEs.
5. To relate the latest developments in the global financial environment to areas under discussion.

VALUE AIM:

To instill the students the Five C's of CBE: critical thinking, communication skills, computer literacy, commercial ethics and community service.

TOPICS	REFERENCES
Global Corporate Finance and the Multinational Firm The multinational enterprise/risks faced by MNEs models of the firm's objective/operational goals for MNEs/motives for foreign direct investment (FDI)	Chapter 1
The Global Monetary Environment Current terminology/the international monetary system: a history/contemporary currency regimes/attributes of the ideal currency/the Euro/currency crises in the emerging markets: the Asian crisis of 1997, the Russian crisis of 1998, and the Brazilian crisis of 1999	Chapter 6
Exchange Rate Determination Potential foreign exchange rate determinates: parity conditions, infrastructure, speculation, cross-border investment, and political risk/the balance of payments (BOP) and its managerial significance/analysis of traditional parity conditions/exchange rate forecasting practices: the BOP approach, the asset market approach, and technical analysis	Chapter 3
The Foreign Exchange Market Geographic extent/main functions performed by market/market participants/size/interbank market transactions/quotations/foreign currency futures	Chapter 4
Foreign Currency Options	Chapter 5

<p>exposure management through operating policy changes/operating exposure management through financing policy changes/contractual approaches to hedge operating exposure</p> <ul style="list-style-type: none"> Accounting exposure/translation methods/accounting exposure versus operating exposure/consolidation of accounts/managing accounting exposure through a balance sheet hedge 	
<p>Sourcing Equity Capital Globally Strategic steps necessary to attract international investors; the role of the investment bank; depository receipts/cross-listing and new equity issues in foreign markets; effect of cross-listing on share price; barriers to cross-listing and selling equity abroad/alternative instruments to source equity in international markets: directed public share issue, Euroequity public issue, private placements, private equity funds, and strategic alliance</p>	Chapter 11
<p>Sourcing Debt Capital Globally Financial guidelines for acquiring long-term debt: quantity of funds needed, maturity, type of repayment stream, and currency of denomination/effect of foreign exchange risk on the cost of debt/Eurocurrencies/ sources of funding in the international debt market: international commercial bank loans, the Euronote market, and the international bond market/the Brady Bond market</p>	Chapter 12
<p>Repositioning Funds Constraints on the movement of MNE funds: political constraints, tax constraints, foreign exchange transactions, costs, and liquidity needs/techniques to reposition funds; unbundling fund transfers, dividend remittances, and payment of royalties, license fees, and remuneration for home-office overhead/transfer pricing/additional techniques for moving blocked funds: fronting loans, unrelated exports, and special dispensation</p>	Chapter 18
<p>Working Capital Management for the MNE Fundamental steps in international cash management: Cash planning, collection, repositioning (mobilization), disbursement, covering cash shortages, and investing surplus cash/cash management techniques: centralized depositories and multilateral netting/accounts receivable management; receivables from independent customers: currency of denomination and payment terms; payment practices/inventory management: protecting inventory values against adverse exchange rate changes, anticipating price freezes, free-trade zones and free industrial zones/maintenance of foreign affiliate working capital/financing working capital needs thru banking sources: in-house banks, international banks (correspondent banks, representative offices, branch banks, banking subsidiaries, banking affiliates), and local banks where subsidiaries are located</p>	Chapter 19
<p>International Trade Finance Mechanics of import and export; letters of credit and related documents (bills of lading and drafts); the bank as the import-export intermediary; benefits of the L/C system/mechanics of letters of credit; parties to a letter of credit; essence of a letter of credit; classes of L/Cs: irrevocable v. revocable, confirmed vs. unconfirmed, and revolving vs. nonrevolving/issuers of L/Cs/drafts/negotiable instruments/types of drafts; sight drafts and usance (time) drafts/bankers' acceptances/bills of lading/purposes served by a bill of lading/other documents commercial invoice, insurance documents, consular invoices, certificates of analysis, packing lists, and export declaration/optional topics: government programs to help finance exports, and countertrade</p>	Chapter 20