

INTERNATIONAL FINANCE

The objective of this course is to provide the students an overall view of the international financial system and how multinational corporations operate.

Unit I: Fundamentals of foreign exchange - need for foreign exchange - definitions - international trade and foreign exchange - gains from international trade -international finance - gains from international capital flow - globalization of markets.

Unit II: Exchange rate mechanism - 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.

Unit III: International Monetary System - 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.

Unit IV: International Financial Markets - 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 - 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.

References:

International Finance, Maurice Levi, Routledge Publication

Multinational Business Finance, David K.Eiteman, Pearson Publication

International Finance, J.A Avadhani, Himalaya Publication

International Finance (Theory and Practice) V.J. BANerjee, Centrum Press

Financial Management, James C Vanhorne, Pearson Education Limited

Financial Management, Bearley Miers, McGraw Hill Education