

MFC 3.3 International Finance

Objective

This course aims at making students conversant with international financial scenario and institutions.

Course Inputs

1. **International Monetary and Financial System:** Importance of international finance; Bretton woods conference and afterwards, IMF and the World Bank; European monetary system - meaning and scope.
2. **Balance of Payment and International Linkages:** Balance of payments and its components; International flow of goods, service and capital; coping with current account deficit.
3. **International Financial Markets and Instruments:** International capital and money markets; Money and capital markets instrument; Salient features of different international markets; Arbitrage opportunities; Integration of markets; Role of Financial intermediaries.
4. **Foreign Exchange markets:** Determining exchange rates; Fixed and flexible exchange rate system; Exchange rate theories; Participants in the foreign exchange markets; Factors affecting exchange rates: spot rates, forward exchange rate, forward exchange contracts, foreign exchange and currency futures, Exchange rate arrangement in India, Exchange dealing and currency possession; Information and communication; Foreign exchange trades.
5. **Foreign Exchange Risk:** Transaction exposure, translation exposure and economic exposure; management of exposures - internal techniques, netting, leading and lagging, pricing policy; asset and liability management and techniques.
6. **Management of Risk in Foreign Exchange Markets:** Forex derivatives - swaps, future and option and forward contracts.
7. **International Capital and Money Market Instruments:** GDRs, ADRs, IDRs, Euro bonds, Euro loans, Repos, CPs, floating rate instruments, loan syndication and Euro deposits.
8. **Multilateral Financial Institutions:** Role of IMF, IBRD and other development banks, International investors and foreign investment institutions.
9. **Current Developments:** International indebtedness; Capital account convertibility: pros and cons; innovations in international financial instruments.

Suggested Readings

- Apte, P.G.: International Financial Management, Tata McGraw Hill, New Delhi.
- Buckley, Adrian: Multinational Finance, Prentice Hall, New Delhi.
- Eiteman, D.K., Stonehill, A.I. and Moffett, M.H.: Multinational Business Finance, Addison Wesley, New York.
- Henning, C.N., W. Piggot and W.H. Scott: International Financial Management, McGraw Hill, International Edition.
- Levi, Maurice D.: International Finance, McGraw Hill, International Edition.
- O' Connor D.J., Bueso A.T.: International Macmillan, New Delhi.
- Pilbeam Keith: International Finance, MacMillan Press, Hong Kong.
- Rodriqufe, R.M. and E.E. Carter: International Financial Management, Prentice Hall, International Edition.

- Yadav, Surendra S., Jain, P.K. and Max Peyrard: Foreign Exchange Markets, Macmillan, New Delhi.
- Zeneff, D. and J. Zwick: International Financial Management, Prentice Hall, International Edition.

