

UNDERGRADUATE PROGRAMME IN BACHELOR OF MANAGEMENT STUDIES

MULTINATIONAL BUSINESS FINANCE

Learning Objective: The course has been designed to familiarize the students with International Monetary System and Financial Institutions. Functioning of the Foreign Exchange Markets and Financial Management of a multinational firm will be the essential component of this course.

UNIT I

Lectures: 6

Multinational Business Finance – MNCs (Multinational Corporations) and transnational corporations, Difference between domestic and International financial management, Motivations for International finance.

UNIT II

Lectures: 8

International Monetary System - The Gold standard, The Bretton Woods system, the flexible exchange, alternative exchange rate system, the European monetary system, Euro and its implications for Indian banking, International Financial Institutions – International Monetary Fund (IMF), Asian Development Bank (ADB), International Bank for Reconstruction and Development (IBRD), Bank for International Settlement (BIS) and Organization for Economic Cooperation and Development (OECD).

UNIT III

Lectures: 12

The Foreign Exchange Markets – Functions of the Foreign Exchange Markets, The Foreign Exchange Rates – direct and indirect quotations, spot market and forward market – determination of forward premiums and discounts, bid-ask spread, interest arbitrage – covered interest arbitrage and interest parity theory – forecasting of foreign exchange rates.

UNIT IV

Lectures: 22

Financial management of the Multinational Firm – Cost of Capital and Capital Structure of a Multinational Firm – determining capital structure components, Cost of capital for MNCs (Multinational Corporations) and Domestic Firms, Multinational capital budgeting – Problems and issues in foreign investment analysis.

UNIT V

Lectures: 8

Payment Systems

Payment terms and financing international trade, international flow of funds and portfolio investment in India, FDI (Foreign Direct Investment) vs. FIIs (Foreign Institutional Investors), investment strategies of FIIs in India, FIIs and volatility, impact of FIIs investment on stock markets and public policy. Netting (with numericals), pooling, leading and lagging as international payment settlement. P.S. Case study would be an integral part of the curriculum.

Text Books:

1. Shapiro, Allen C. (1995). *Multinational Financial Management*, Prentice Hall India Pvt Ltd. New Delhi.
2. Eiteman, David K. Stonehill, Arthur I., and Moffett, Michael H. (2001). *Multinational Business Finance* (9th ed.). Addison Wesley, New York.

References

1. Buckley, A. (2004). *Multinational Finance* (5th ed.). Pearson Education.
2. Vij, Madhu (2010). *International Financial Management* (3rd ed.). Excel Books, N3.
3. Levi, Maurice (1996), *International Finance*, McGraw Hill Inc., (4th ed.). New York, New Delhi.
4. Madura, J. (2009). *International Financial Management* (10th ed.). New Delhi, Cengage Learning.