



GLOBAL FINANCIAL MANAGEMENT

23MBPE676

(COURSE HANDBOOK)

MBA

COURSE FACULTY:

Asst. Prof. Akshathraj Jain

1. GENERAL INFORMATION

Welcome to Global Financial Management!

This course is designed to provide students with a comprehensive understanding of the foreign exchange market and its pivotal role in the valuation of multinational corporations (MNCs). By integrating theoretical frameworks with real-world applications, the curriculum equips students with the knowledge and skills needed to navigate the complexities of global financial markets with confidence and expertise.

Throughout this course, you will explore key concepts, including the international financial environment, foreign exchange markets, risk management strategies, exchange rate forecasting, and techniques for managing international financial exposures. The structured five-module approach ensures a seamless progression of learning, beginning with fundamental principles before advancing to complex financial instruments and strategic applications.

Beyond theoretical insights, this course places a strong emphasis on practical applications through interactive learning experiences such as case studies, simulations, and arbitrage techniques. By mastering these analytical tools, you will develop the ability to assess and mitigate financial risks effectively. Active participation in discussions, collaborative projects, and problem-solving exercises is highly encouraged, as these activities will sharpen your critical thinking and decision-making abilities.

This course is not just about acquiring knowledge—it is about applying it in meaningful ways to enhance your future career prospects. We encourage you to thoroughly review this course handbook, as it contains essential information on learning outcomes, assessment methods, and key resources to support your academic journey. We look forward to guiding you through this enriching learning experience and helping you build a strong foundation in global finance and financial derivatives.

1.1.Course Objectives

This course is designed to:

- **Provide the knowledge of international monetary system and the foreign exchange markets:** Introduce key concepts foreign exchange market and international monetary system
- **Impart the knowledge to examine Balance of Payments (BoP) data and determine its implications:** Impart the knowledge on Balance of payment system to check its implication on balance sheet of parent company.
- **Familiarize the concepts of corporate restructuring and valuation techniques for MNCs:** Get the knowledge about corporate restructuring models with the help of various models.
- **Impart the knowledge of international transactions for evaluation of various international projects:** Get the knowledge in the impact of various exposures while assessing the value of business.

1.2.Course Outcomes:

At the end of the course, students will be able to:

CO1: Summarize the fundamentals of international financial and monetary system.

CO2: Apply the concepts of Forex market to calculate exchange rates of different currencies.

CO3: Attain proficiency in evaluating various international projects to handle foreign exchange risks.

CO4: Analyze international parity relationships to optimize financial decisions.

CO5: Apply various types of financial exposures to manage investment decisions.

1.3.Recommended and Reference Text Books

All books are available in the library.

Key Text Books:

1. Jeff Madura, “International Corporate Finance”, 10th Edition, Cengage Learning, 2012.
2. Cheol Eun & Bruce Resnick, “International Financial Management”, 7th edition, McGraw Hill, 2014.
3. Binoy Mathew & G. Nagarajan. “International Financial Management”, 2nd edition, Jayvee Digital Publishing, 2022.

Reference Books:

- Gargi Sanati “Financing International Trade: Banking Theories and Applications”, 1st edition, Sage Publication, 2017,
- Apte P.G & Sanjeevan Kapshe, “International Financial Management”, 8th edition, McGraw Hill, 2020.
- Moffett, M. H., Stonehill, A. I. & Eiteman, D. K. Global, “Fundamentals of Multinational Finance”, 5th Edition, Pearson, Global edition, 2016.
- Jeff Madura, & Roland Fox “International Financial Management”, 5th Edition, Cengage Learning, 2020.

Important Web Links

- International Financial Management introduction:
<https://www.youtube.com/watch?v=Og-EOTRz7XA>
- International Financial Management
<https://www.youtube.com/watch?v=MpDmsHpoezg>
- NPTEL Course on International Finance:
<https://archive.nptel.ac.in/courses/110/105/110105057/>

2. THE COURSE

2.1.Course Description

GLOBAL FINANCIAL MANAGEMENT			
Semester	IV	CIE Marks	50
Course code	23MBPC676	SEE Marks	50
Teaching Hrs/Week (L:T:P)	4:0:0	Exam Hrs	03
Total Hrs	52	Credits	04

The Global Financial Management course is designed to provide students with foundational knowledge on International Foreign exchange market over a 13-week period during Semester 4. The course consists of five modules covering essential topics in financial derivatives of industry. Each week includes four lectures, with Prof. Akshathraj Jain. These lectures focus on theoretical concepts, practical applications, and course-related activities. Spanning a total of 52 hours, this 4-credit course is assessed through Continuous Internal Evaluation (CIE) for 50 marks and a Semester-End Examination (SEE) for 50 marks, a 3-hour written examination. This structure ensures a balanced and engaging learning experience for students.

2.2.Initiating Contact with Staff and Other Students

We welcome your inquiries about the course. Please use email and office hours thoughtfully, and check previous communications and handbook materials before reaching out with administrative questions. Engage with peers for discussions and collaborative learning to enhance your understanding and foster a supportive academic community.

2.3.Resources

Resources include digital libraries, e-learning platforms, and research databases, offering students anytime, anywhere access to academic materials and interactive courses. On the college website, students can access the VTU Consortium, open-access repositories (e.g., NPTEL, NDLI), e-books, research papers, video lectures, and interactive tutorials, providing a flexible and comprehensive learning experience.

E-learning and digital library can be accessed via the college website <https://mite.ac.in/> (Campus Life section > Library > VTU Consortium/e-learning platforms/additional sources).

2.4.Staff

Course Faculty: Prof. Akshathraj Jain
Cabin: 3rd floor, PG Block
Email: akshathraj@mite.ac.in

2.5.Topics and Reading Materials for each module

Module 1

(No. of Hours: 10)

- **Topic: International Financial Environment**
- An overview of International Financial Management - Importance, rewards & risk of international finance, Goals of MNC, International Monetary System: Evolution, Gold Standard, Bretton Woods system, flexible exchange rate regime, recent changes and challenges in IFM, the Economic and Monetary Union, Case studies.
- **Activities/Lab Components**
 - o Students group presentation on international trade and international investment.
- **Essential Readings**
 - o Jeff Madura, “International Corporate Finance”, 10th Edition, Cengage Learning,2012. Part 1, Chapter 1
 - o Cheol Eun & Bruce Resnick, “International Financial Management”, 7th edition, McGraw Hill,2014. Chapter 1
- **Additional Reading**
 - o Apte P.G &Sanjeevan Kapshe, “International Financial Management”, 8th edition, McGraw Hill,2020. Chapter 1 and 2
 - o Moffett, M. H., Stonehill, A. I.&Eiteman, D. K.Global, “Fundamentals of Multinational Finance”, 5th Edition, Pearson, Global edition, 2016. Chapter 1
- **Additional Web Links**
 - o Introduction of international financial management - <https://archive.nptel.ac.in/courses/110/105/110105031/>
 - o Global Financial Environment <https://www.rba.gov.au/publications/fsr/2021/apr/pdf/01-global-financial-environment.pdf>

Module 2

(No. of Hours: 11)

- **Topic: Foreign Exchange Market**
- Types of transactions and Settlements Dates, Exchange rate quotations, Determination of Exchange rates in Spot markets, Exchange rates determinations in Forward markets, Exchange rate behaviour, Cross Rates, Bid, Ask, Spread, Case Studies.
- **Essential Readings**
 - o Jeff Madura, “International Corporate Finance”, 10th Edition, Cengage Learning,2012. Chapter 3
 - o Cheol Eun & Bruce Resnick, “International Financial Management”, 7th edition, McGraw Hill,2014. Chapter 2 and 5

- **Additional Reading**

- Apte P.G & Sanjeevan Kapshe, “International Financial Management”, 8th edition, McGraw Hill, 2020. Chapter 7 and 17
- Moffett, M. H., Stonehill, A. I. & Eiteman, D. K. Global, “Fundamentals of Multinational Finance”, 5th Edition, Pearson, Global edition, 2016. Part 2 Chapter 5

- **Additional Web Links**

- Foreign exchange market: an introduction - <https://archive.nptel.ac.in/courses/110/105/110105031/>
- The foreign exchange markets <https://www.bis.org/publ/work1094.pdf>
- Strategic financial management <https://live.icai.org/bos/vcc-2nd-batch-recorded-lectures/pdf/Final%20Paper%202%20SFM%20Chapter%209%20Topic%20Forex.pdf>

Module 3

(No. of Hours:9)

- **Topic: Foreign Exchange Risk Management.**

- Foreign exchange risk and its types (transaction risk, translation risk & economic risk), Hedging against foreign exchange exposure, Forward Market, Futures Market, Options Market (call option, put option), Currency Swaps, Interest Rate Swap.

- **Activities/Lab Components]**

- Assignment on practical problems
- Students' presentation on various kinds of swaps currently in use in industry

- **Essential Readings**

- Jeff Madura, “International Corporate Finance”, 10th Edition, Cengage Learning, 2012. Chapter 5
- Cheol Eun & Bruce Resnick, “International Financial Management”, 7th edition, McGraw Hill, 2014. Chapter 7 and 14

- **Additional Reading**

- Apte P.G & Sanjeevan Kapshe, “International Financial Management”, 8th edition, McGraw Hill, 2020. Chapter 8, 9 and 10
- Moffett, M. H., Stonehill, A. I. & Eiteman, D. K. Global, “Fundamentals of Multinational Finance”, 5th Edition, Pearson, Global edition, 2016. Part 2, Chapter 7

- **Additional Web Links**
 - Foreign exchange contracts
<https://archive.nptel.ac.in/courses/110/105/110105031/>
 - Foreign Exchange Risk Management of Multinational Companies
https://www.researchgate.net/publication/347093546_Foreign_Exchange_Risk_Management_of_Multinational_Companies#fullTextFileContent

Module 4

(No. of Hours: 11)

- **Topic: Forecasting Foreign Exchange rate**
 - Foreign exchange rate, Forecasting foreign exchange rates. Interest Rate Parity (IRP), Purchasing Power Parity Theory (PPP) & International Fisher Effects (IFE). Arbitrage-Types of Arbitrages, location, triangular and covered interest arbitrage, case studies.
- **Activities/Lab Components**
 - Assignment on practical problems
- **Essential Readings**
 - Jeff Madura, “International Corporate Finance”, 10th Edition, Cengage Learning, 2012. Part 2 Chapter 7
 - Cheol Eun & Bruce Resnick, “International Financial Management”, 7th edition, McGraw Hill, 2014. Chapter 6
- **Additional Reading**
 - Apte P.G & Sanjeevan Kapshe, “International Financial Management”, 8th edition, McGraw Hill, 2020. Chapter 11
 - Moffett, M. H., Stonehill, A. I. & Eiteman, D. K. Global, “Fundamentals of Multinational Finance”, 5th Edition, Pearson, Global edition, 2016. Part 2 Chapter 6
- **Additional Web Links**
 - International Parity Conditions
<https://archive.nptel.ac.in/courses/110/105/110105031/>
 - Forecasting Exchange Rates
https://www.researchgate.net/publication/276300553_Forecasting_Exchange_Rates#fullTextFileContent
 - Exchange rates and fundamentals
<https://www.sciencedirect.com/science/article/pii/S0261560624000548>

Module 5

(No. of Hours: 11)

- **Topic: Foreign Exchange exposure**
 - Management of Transaction exposure, Translation exposure, Economic exposure, Political Exposure, Management of Interest rate exposure. International Capital Budgeting Inputs for international capital budgeting, Evaluation of a project for international capital budgeting, case studies.

- **Activities/Lab Components**
 - Assignment on practical problems
- **Essential Readings**
 - Jeff Madura, “International Corporate Finance”, 10th Edition, Cengage Learning, 2012. Part 1 Chapter 10, 11 and 12
 - Cheol Eun & Bruce Resnick, “International Financial Management”, 7th edition, McGraw Hill, 2014. Chapter 9, 10 and 18
- **Additional Reading**
 - Apte P.G & Sanjeevan Kapshe, “International Financial Management”, 8th edition, McGraw Hill, 2020. Chapter 14
 - Moffett, M. H., Stonehill, A. I. & Eiteman, D. K. Global, “Fundamentals of Multinational Finance”, 5th Edition, Pearson, Global edition, 2016. Part 3, Chapter 9, 10 and 11 Part 5 Chapter 16 and 17
- **Additional Web Links**
 - International parity conditions
<https://archive.nptel.ac.in/courses/110/105/110105031/>
 - Foreign Exchange Exposure and Management
https://www.researchgate.net/publication/279647700_Foreign_Exchange_Exposure_and_Management_Case_study_of_two_large_Multinationals
 - A Study of Foreign Exchange Exposure in the Indian IT Sector
https://www.researchgate.net/publication/333870899_A_Study_of_Foreign_Exchange_Exposure_in_the_Indian_IT_Sector

3. ASSESSMENT

The assessment for the Financial Derivatives module is divided into two components: Continuous Internal Evaluation (CIE) and Semester End Examination (SEE), each accounting for 50% of the total marks.

Continuous Internal Evaluation (CIE) comprises two internal tests, scheduled for 8th and 14th week, which together contribute 30% of the total marks. Additionally, students can earn 20% through the completion of assignments (10 marks is allotted for completion of module wise assignments, 10 marks for students group presentation on international trade and international investment).

Semester End Examination (SEE) constitutes the remaining 50% of the total marks. Key information regarding examination dates and related details can be accessed via the college website (Academics and Courses section > Calendar of Events > PG Even Sem).

Rubrics for Other Assessment (Total: 20 Marks / 40% of CIE)

1. Module wise assignment (10 Marks)				
Criteria	10-8 Marks (Excellent)	8-6 Marks (Good)	6-4 Marks (Fair)	3-2 Marks (Poor)
Completion	Completed all modules and tasks.	Completed most modules.	Completed some modules.	Incomplete or missed modules.
Timeliness	Completed on time.	Completed slightly late.	Completed much later than due.	Missed the deadline.

2. Students group presentation on international trade and international investment. (10 Marks)				
Criteria	10-8 Marks (Excellent)	8-6 Marks (Good)	6-4 Marks (Fair)	3-2 Marks (Poor)
Management Levels	Clear, detailed explanation	Good explanation, minor gaps	Basic explanation, missing key details	Lacks understanding or incorrect information
International trade and investment	Excellent collaboration, highly cooperative	Good Collaboration and teamwork	Average collaboration and teamwork	Limited collaboration and teamwork