

Course Title: International Finance and Forex Management

Course Code: FIBA713

Course Objectives

The objectives of this course is to Introduce the environment of international finance and its implications on international business, analyze the nature and functioning of foreign exchange markets, determination of exchange rates and their forecasting, study the foreign exchange risks and to identify risk management strategies and various risk adjusted models, explore the international sources of long term finance, integrate the global developments with competitive global environment.

Course Contents/Syllabus:

Module I : International Financial Environment

Finance function in global business scenario, WTO and International Monetary System, International Financial Markets-equity, bond, Eurocurrency market, Currency basket, Currency convertibility –on capital account and current account, Foreign exchange reserve, Balance of payments, balance of trade, current account deficit; bilateral and multilateral agreements relating to financial transactions, Sovereign rating, Flow of funds internationally through FDI ,FII, FPI, ODI, LRS and PN ; Government Policies regarding FII & FDI ;Integration of global developments with the changing business environment in India.

Module II : Foreign Exchange Markets, Foreign Exchange Rate Exposure and Risk Management

Spot and Forward Foreign Exchange Markets, Quotations and Market Rules, direct and indirect quotes, bid and ask quote, spot and forward quote with live data interpretation, cross rates, Speculation and Arbitrage in Foreign Exchange Markets, Transaction, Translation and Operating Exposure, Exposure from Equity and borrowing in International Financial Markets, Hedging tools for Management of Transaction Exposure, Currency Forwards, Currency Options, Currency Futures, Currency Swaps, Impact of technology likely to disrupt the forex market, risk adjusted models.

Module III : Foreign Exchange Rate Determination

Discussion on devaluation or depreciation of Rupee (domestic currency against dollar/pound sterling/Euro); Theories of Exchange Rate Determination, Fundamental International Parity Conditions – Purchasing Power and Interest Rate Parity, Covered Interest Parity, Fisher Effect and International Fisher Effect, Forecasting Exchange Rates – introduction to Technical Forecasting, Time Series Modeling, Fundamental Forecasting. Case studies.

Module IV : International Sources of Finance for the Firm & International Financing Decision

Bond Financing (Fixed and Floating Rate Notes), Loan Financing (Syndicates Loans), Securitized Financing (Euronote), Equity Financing (GDR and ADR), Features of Loan Agreements: Loan Negotiations, International working capital management, Analysis of International Capital Budgeting– estimation of cash flows, Cost of Capital of a Foreign Investment, Issues in Overseas Funding Choices. APV concept.

Module V : International Accounting & Taxation and Case studies of Currency crisis

Consolidation and harmonization of accounts, International Tax Laws, Transfer Pricing, Tax heavens, double taxation treaties; Concept of relief for dealing double taxation regulations; International currency crisis & role of state; FEMA, FEDAI, RBI regulations.

Text Reading

- Levi, Maurice, International Finance, New York, McGraw Hill Inc., 1996.
- Kevin, S. Fundamentals of International Financial Management, Prentice Hall of India, 2009.
- Srivastava, R. International Finance, Oxford University Press, 2014
- Gupta, S.L. Financial Derivatives, Prentice Hall of India, 2005.
- Srivastava, R., Misra, A. Financial Management, Oxford University Press, 2011.

References:

- Eiteman, David K., Arthur Stonehill and Michael H. Moffett, (2016) Multinational Business Finance, Pearson,

- Shapiro, Allen C., *Multinational Financial Management*, (2012), John, Wiley.
- Apte P.G., *Multinational Financial Management*, New Delhi, Tata McGraw Hill, 1998.
- Errunza, V. R., Singh, D. and Srinivasan, T.S. 1994, *International Business Finance*, Global Business Press.
- Hull, J. C., (2018), *Introduction to Futures and Options Markets*, Pearson.
- Kohn, M., (2003). *Financial Institutions and Markets*, Oxford University Press.

Additional Reading:

- Articles from *Journal of Finance*
- Business newspapers
- Yahoo finance (<http://finance.yahoo.com/>)
- Investopedia (www.investopedia.com)
- Google Finance (www.google.com/finance)

Course Title: International Currency Management

Course Code: IB712

Course Objectives

Each entity engaged in international business activity needs foreign currency. The course aims to introduce students to the basics of currency risk, trading and its management in international business transactions/operations. The course will involve understanding the need for international currencies, types of associated risks, an idea of the trading mechanics in Indian & International Currency Markets, linkages to Money Markets, Interest rates, Economic and World events. The course will also teach how to manage currency risk and impart knowledge of the Mitigation Tools (Forwards/Futures/Options/Swaps) and strategies

(Hedging/Speculation/Arbitrage) which traders or businesses can adopt.

Course Contents/Syllabus

Module I: Importance of International Currency Management in Global Business

Importance of foreign currencies in International Trade & Business. Volume, Participants, Risk from Currency Volatility and experiences of MNC's in cross border transactions. Role of market-makers.

Module II: Introduction to International Currency Markets & Terminologies

Spot and Forward Markets, Trading Terminologies & Mechanism, Currency Convertibility, Major/Minor currencies. ISO Currency codes, linkages to other Global Markets & Events, Interest Rates, benchmarks LIBOR/MIBOR. RBI compliance for Remittance.

Module III: Calculation of Currency Rates

Exchange Rate Determination – Bid/Ask, Margins, spread. Cross-currency calculations – Practice exercise on the arithmetic of various currencies. Interest Rate & Purchasing Power Parity, Negotiating rates for inflow/outflow for different international transactions.

Module IV: Currency Risk/Exposure & Trading Strategies

Transaction, Translation and Operating Exposure. Trading Strategies for Hedging, Speculation & Arbitrage.

Module V: Currency Risk Mitigation & Management Tools

Concept of Hedging. Hedging strategies of Corporates. Currency Risk Management using Currency Derivatives like Forwards, Futures, Options & Swaps.

Text reading

- Apte P.G. , International Financial Management, Tata McGraw-Hill Publication
- Copeland, L.S. (2013), Exchange Rates & International Finance, Pearson Education
- Thummuluri Siddaiah , International Financial Management, Pearson Education
- Levi, M.D. , International Finance, McGraw Hill International
- Errunza, V.R., Singh, D. and Srinivasan, T.S. , International Business Finance, Global Business Press
- Hull, J.C. , Introduction to Futures and Options Markets, Prentice Hall of India
- Edwards, F.R and Ma C.W. , Futures and Options, McGraw-Hill International.
- Kolb, R.W. , Understanding Futures Markets, Prentice Hall of India
- Rebonato, R. , Interest Rate Option Models: Understanding, Analysing and Using Models for Exotic Interest Rate Options, John Wiley and Sons
- Kohn, M, Financial Institutions and Markets, Tata McGraw Hill Publishing

Course Title: Global Commodity Trade

Course Code: IB714

Course Objectives

Commodities like cereals, crude oil, coffee, sugar, gold, rubber, cotton etc dominate global trade. The course imparts knowledge of which countries dominate world production/ export/ import of various commodities, familiarity with the function and mechanism of Indian and International Commodity Exchanges, identification of commodity risks faced by suppliers & consumers of commodities and suitable strategies to mitigate commodity market risk.

Course Contents/Syllabus

Module I: Introduction to Commodities & Top Commodity Producing & Trading Countries

Changing Int'l Trade scenario & in 21st Century, Commodities – Definition, Features, Types, History, Participants, Structure & systems of commodity trade, Top Exporter & Importer countries of World's most traded Agri commodities, Crude oil, Gold, Silver etc, India's place in World Commodities

Module II: .World's Commodity Exchanges

World's Major Commodity Exchanges - USA, Canada, Latin America, Europe, China, Asia, Africa & Oceanic □ History, Shareholding pattern, Products & Contract specifications of Commodities traded on world's top Commodity Exchanges

Module III: Indian Commodity Exchanges

Turnover, Evolution, Forward Market Commission, Contracts Act, Regional & National Commodity Exchanges, Structure, Shareholding, Turnover, Products Traded on National Exchanges MCX, NCDEX, NMCE, ICEX, ACE, UCX, Case study on National Spot Exchange Ltd (NSEL)

Module IV: Commodity Derivatives

Derivatives - Definition, Types, OTC vs Exchange Traded, Participants, Evolution, Economic Functions & benefits, Risks, Commodity Futures & Options -

Characteristics, Terminologies, Margins, Physical Delivery, Assignment, Warehousing, Quality specifications, Membership, Charges, Trading, Clearing & Settlement, Strategies for Hedging, Speculation & Arbitrage, Types of Orders, Difference between & Options & Futures, Right/Obligation of Buyer/Seller, Call/Put Options

Module V: World's Most Traded Commodities

Presentations on Cotton, Edible oils (Rapeseed, Soy, Palm Oil), Tea, Coffee, Sugar, Wheat, Crude Oil, Steel, Rice, Pulses, Rubber, Gold, Silver, Copper etc - World Trade, India's share, Production, Global demand & supply, Consumption & price patterns, Quality, Trading, Contract specifications, substitutes etc.

Text reading

- Niti Nandini Chatnani, Commodity Markets - Operations, Instruments and Application, Tata McGraw Hill Education Private Limited, New Delhi
- NCDEX Institute of Commodity Markets & Research (NICR), Study Manual for Commodity Trading