

PAPER-III : INTERNATIONAL FINANCIAL MANAGEMENT

Code No. : 5803

1. Financing Decisions Capital Structure Theories:

Net Income Approach, Net Operating Approach, MM Approach, Financial Planning, Lease Financing.

Investment Decisions : Capital Budgeting under uncertainty, Sensitivity Analysis, Risk Measurement, Application of Risk Adjusted Discounting Rate, Decision Tree Analysis.

2. Dividend Decisions :

Dividend theories; Walter Model, Gordon Model and M.M. Hypothesis, Dividend Payout Ratio, Stability of Dividends, Bonus Shares and Stock Splits, Legal and Procedural Aspects of Dividend.

International Transactions and Financial Markets: Concept of Balance of Payment, Accounting for International Transactions and Balance of Payment, Current Accounts, Capital Accounts, Official Reserve Accounts, Balance of Payment and Exchange Markets, Balance of Indebtedness.

3. International Institutions and Monetary Agreements:

Need of International Monetary Agreements, Mutual Acceptance of Adjustment Mechanism,

Roots of Current Monetary System. Sources of liquidity, foreign currency units, Role of International Monetary Fund, International Bank for Reconstruction and Development (World Bank), International Finance Corporation and Asian Development Bank.

Exchange Rate and Interest Rate Determination Theories - General Equilibrium Theories, Purchasing Power Parity, Market Expectation and Rate Determination, Relationship among interest rates in different currencies, exchange rate determination, Interest Rate and Domestic flow of funds, Interest Rate Determination and Policy, Exchange Rates and International Flow of Funds.

4. International Cash Management, Foreign Exchange and Interest Rate Risks :

Nature of International Cash Management, Management of Foreign Exchange Risk; Covering and Exchange Position. Covering in forward market and money market, Exchange Risk in Meeting Cash Need, Borrow Funds in Local and Foreign Currency, Management of Interest Rate Risk in One Currency and in Two Currencies.

Alternative Financing Strategies, Cover all Risks, Cover Interest Rate Risk and Bear Exchange Risk, Cover Exchange Risk and Bear Interest Rate Risk, To cover or not to cover, Special Documents used

in International Trade; Letters of Credit, Import/Export Drafts, Trade Financing from third parties, loans to exporters, Trust Receipts, Direct Loans to Exporters, Banker's Acceptance, Loans from Government Agencies, Financing with barter and Non-convertible currencies, foreign exchange risk and credit risk; some trade-offs.

5. International Project Planning :

Direct Investment to increase returns or reduce risks, market characteristics and direct Investment, Cash Flow determination, reinvestment of projects cash flow and acceptance criteria for international projects. Acceptance criteria for International Projects : Cost of Capital as basic theory, cost of capital as required rate of return, long-term capital structure, Business Risk, Cost of Capital for a foreign project, Cost of capital as a hurdle rate.

Books Recommended :

1. R.M. Rodriguez & E.E. Carter : International Financial Management (Prentice Hall of India Pvt. Ltd., New Delhi).
2. Bernard A. Lietaer : Financial Management of Foreign Exchange Risk : An Operational Technique to Reduce Risk (Cambridge, Mass, MIT Press).

3. B.L. Ojha : Anterrashtriya Vitta (Adarsh Prakashan, Jaipur).
4. David B., Zenoff and Zwick : International Financial Management (Prentice Hall of India Pvt. Ltd., New Delhi).
5. D. Levi, Maurice : International Finance (McGraw Hill Publication Co., New Delhi).
6. Errunza, Devi Singh, Srinivasan : International Business Finance (Abhinav Pub. Industries Pvt. Ltd., Delhi).
7. Prasanna Chandra : Financial Management
8. Khan and Jain : Financial Management
9. I.M. Pandey : Financial Management