

# **International Finance**

## **Course Objective:**

### **1. Fundamental equilibrium relationship covered interest parity, purchasing power parity & Fisher open theorem.**

- a) Foreign Exchange exposure; transaction & operating.
- b) Derivatives Pricing & Analysis; foreign exchange arithmetic, foreign exchange swaps, forward contracts, financial futures & financial swaps.
- c) Currency options fixed income analysis & interest rate options.
- d) Capital Budgeting for international projects, international cash management, international asset pricing theories, Financial Aspects of international Negotiations.

### **2. Operations of foreign exchange markets, modes & mechanism of spot & forward exchange contracts:**

- a) Exchange trading & position Syndication, Swaps, Options, Offshore banking, International Money, Capital & Foreign Exchange Markets with reference to New York, London, Tokyo, Hong Kong & Singapore.

### **3. Theories of exchange rates.**

- a) Purchasing power parity theory
- b) Demand supply & elasticity in foreign exchange rate determination
- c) Balance of Payments theory. Historical perspective on exchange rate, Gold Standard
- d) Inter-war instability, Bretton woods, fixed exchange rates, fluctuating exchange rates Case for fixed or fluctuating exchange rates. The changing nature of world money.
- e) The rise of private world money.
- f) Euro-currencies, Euro-dollars, European Currency Unit
- g) C.R.U. their mechanics & impact
- h) International capital-flow & shocks
- i) International debt problem - its origin, history & status.
- j) International liquidity & SDRs.

#### **4. Innovative International Financial Products**

Socio-Political Issues in Strategic International Financial Management (with special reference to multi-national corporations)

***Reference Text:***

1. International Finance - Avadhani
2. Foreign Exchange Management - A. V. Rajwade