

MODULE: INTERNATIONAL FINANCIAL MANAGEMENT

Semester: II (Spring)
Stage: 3
Theme: Financial Management
Number of Credits: 4 semester credits/6 quarter units

INTRODUCTION

The module builds on the concepts, conventions and principles of financial and management accounting covered in Stages 1 and 2 respectively. It presents the central role of financial management in determining an organisation's continued success. It covers cash and investment management techniques and addresses the additional concerns of international operations. The module places considerable emphasis on the techniques and practices of optimising financial yield through revenue efficient utilisation of services.

AIMS

To provide students with a clear understanding of:

- The link between company decision-making and the operation of capital markets
- The link between finance and globalisation
- The financial environment in which multinational firms and managers must operate
- The International Monetary System and Foreign Exchange Management
- The financial management of a multinational firm
- How to assess overseas investment opportunities

On completion of this module, students will be able to:-

- Recognise the international financial objectives of the various types of multinational organisations and the requirements of international stakeholder groups
- Evaluate alternative sources of international finance and investment opportunities and advise on their suitability in particular circumstances
- Understand the application of the financial models to their global organisation
- Understand the nature of international financial risk and apply various hedging techniques in order to reduce it
- Apply their learning to a range of practical situations to maximise the financial yield from the multi-national organisation's services

SYLLABUS

Overview of International Financial Accounting

- Globalisation and the multinational company
- International Diversity in Financial Reporting Systems
- Internal and external influences on accounting rules and practices
- Cultural impact on accounting rules and practices
- Measuring international differences in accounting rules and practices

- International Accounting Standards

International Financial Integration: relations between interest and exchange rates

- International Parity Relationships and Forecasting Foreign Exchange Rates
- Foreign exchange, risks and exposure
- Exchange rates, currency futures and options markets
- Modern theories of exchange rates
- Alternative systems of exchange rates
- The international Financial System, past, present and future

Multinational Accounting

- Foreign Currency Transactions
- Translation of Foreign Entity Statements
- International Stakeholder groups/considerations
- Yield management
- Resource Utilisation

Sources of International Finance and Capital Structures

- International Capital mobility - sources
- Capital markets (stock exchange, euro-markets, etc)
- Long v short finance
- Retained earnings and dividend policy
- Equity v debt
- Calculation of cost of various sources
- Competing theories on cost of capital
- Capital asset pricing model

International Investment Decisions

Capital budgeting

- evaluation methods - payback period/accounting rate of return / discounted cash flow (net present value, internal rate of return, adjusted present value)
- relevant cash flows
- impact of inflation/taxation
- capital rationing
- asset replacement decision
- lease v buy decisions
- treatment of risk and uncertainty
- portfolio theory

Mergers and Acquisitions

- reasons for acquisition
- impact on bidder and target
- form of consideration
- de-mergers / management buyouts
- company valuation process

International Investment Opportunities

- Implications of global investments - FDI
- Evaluation of various investment instruments available to individuals / corporations
- Impact of overseas income and corporate taxes
- Identification of investment opportunities in individual circumstances
- Risk analysis in investment decisions

Management of Working Capital

- Use of short-term funds
- Cash management - cash budget/centralised cash management/computerised cash management systems
- Short-term investments
- Management of overseas stocks/debtors/creditors
- Overtrading
- Factoring/invoice discounting
- Credit scoring

Workload

Contact:	40 hours
Directed Learning:	40 hours
Independent Learning Time:	30 hours
Assessment Time:	10 hours
Total	120 hours

Teaching and Learning Methods

The module will be presented by means of formal lectures introducing topics and materials in text readings and guest speakers will be invited to give an industry perspective. The material will be reviewed by means of class discussions and group work sessions, these will serve both as a review and elaboration of lectures presented and as a forum for presenting and assessing student research.

Integration and Linkage

The material in this module is very closely interconnected with modules such as Financial Accounting in Stage I and Management Accounting in Stage II (the reading and interpreting of financial statements and funds) and pulls both strands together within an international context.

Assessment of Learning Outcomes

Learning Outcomes	Assessment Method
To have a clear understanding of the essential principles and the link between finance and decision making in an international context	Assignment – case study, commentary/analysis essay
Be able to evaluate the influence of comparative styles of international financial accounting	Examination question – commentary/analysis – essay
Be able to evaluate the financial environment in which multinational firms and managers must operate	Examination question – commentary/analysis – essay
To have a clear understanding of the financial aspects and risks of globalisation	Examination question – hypothetical/fact situation “problem style”

Assessment

30% of the assessment marks will be allocated to course work, with the remaining 70% of the marks being reserved for the written examination on module completion.

Reading List

Title	Author	Publisher	Year
Essential			
International Financial Accounting: A Comparative Approach	Roberts, C, Gordon, P & Weetman, P	Financial Times, Prentice Hall	2002
Recommended			
International Accounting 4 th ed	Choi, FDS, Forst, CA, & Meek, GK	Prentice Hall	2002
International Finance	Levi, M A	McGraw-Hill	1996
International Financial Management	Cheol, S E & Resnick B G	McGraw-Hill	1997