

International Finance

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Subject: International Finance

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MEANING

- It is a section of financial economics that deals with the monetary interactions that occur between two or more countries.
- It is concerned with the subjects such as exchange rate of currencies, monetary system of the world, FDI and other issues associated with international financial management.
- International monetary economics/ international macro economics.
- It is concerned with understanding of the procedures , techniques and tools related to helping firm in assessing global market for short term and long term funds.

Definition

- A study of the financial decisions taken by MNCs in the area of international business.
- It is the branch of economics that studies the dynamics of foreign exchange, foreign direct investment and how these affect the international trade.

International financial management

- The management of financial resources in the context of international business transactions is referred to as international financial management.
- Maximize shareholder's wealth- value of the firm in the international market.

Reasons for growth of IF

- Economic interdependence
- Globalization
- Liberalization
- Growth of information technology

International environment

- International financial system
- Foreign exchange market
- Host country's environment
- Financing function
- Greater exposure
- Volatility in interest rates
- Intense competition
- FDI barriers
- Political uncertainties

Objectives of IFM

- ACQUISITION OF FUNDS

The objective is to generate funds from internal as well as external sources. Arrange funds at lowest possible cost.

- INVESTMENT DECISIONS


*It is concerned with the investment of acquired funds in an optimum manner in order to maximize shareholder as well as stakeholder's wealth.


*Proper management of IF can help the organization to achieve the same level of efficiency and effectiveness in all markets.

The ultimate goal is to maximize the shareholder's wealth-
maximize value of the firm

Need of IF

- Important tool to find out the exchange rates, compare inflation rates , get an idea about investing in international debt securities, ascertain the economic status of other countries and judging the foreign markets.
- Exchange rates important to determine the relative value of currencies
- Various economic factors help in making international investment decisions and economic factors of investment helps in determining whether or not investor's money is safe.

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- IF plays a critical role in international trade and inter economy exchange of goods and services.
 - It is an important tool to find the exchange rates, compare inflation rates, get an idea about investing in international debt securities, ascertain the economic status of other countries and judge the foreign markets.
 - IF helps in calculating the exchange rates.
 - International finance system maintains peace among the nations.

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- IFRS part of international finance helps in saving money by following the rules of reporting on a single accounting standard.
 - It helps to understand the basics of all international organizations and keeps the balance intact among them.
 - International finance organizations such as IMF, IBRD etc provide a mediator role in managing international finance disputes.
 - Utilization of resources.

Nature and scope

- International trade and finance
- International finance and market instruments
- Export import procedures and documentation
- FDI