**International Finance**

To enable learners to gain an understanding of the role of an international corporate financial manager. The unit will allow learners to consider the importance of International Accounting Standards and the international financial environment for decision making within businesses and organisations. Particular attention is paid to analysing the role of international financial markets in creating opportunities and risks for organisations, especially those operating in a multinational context. Learners will gain experience in assessing strategic options and making appropriate recommendations.

**Indicative Content**

**1. Understand the causes and consequences of the evolution of international accounting standards**

Accounting Standards: Principles, concepts and conventions, going concern, matching, consistency, materiality, prudence, substance over form, aggregation and offsetting, Comparative information, Importance of true and fair view, Use of business entity, historical cost and revaluation as features of a recording system.

* International Accounting Standards (IAS): IAS 1 – Presentation of financial statements, IAS 2 – Inventories, IAS 7 – Statement of cash flows, IAS 8 – Accounting policies, IAS 10 – Events after the reporting period, IAS 16 – Property, plant and equipment, IAS 18 – Revenue, IAS 23 – Borrowing costs, IAS 33 – Earnings per share, IAS 36 – Impairment of assets, IAS 37 – Provisions, contingent liabilities and contingent assets, IAS 38 – Intangible assets.
* Impact on financial statements: Income statement, Statement of financial position, Cash flow statement, Statement of changes in equity.

**2. Be able to analyse the potential impacts of the international financial environment on decision making**

Features of international finance: Currencies, Accounting rules, Stakeholders, Legal framework, Taxation, Regulatory framework, Political risk, Intellectual property rights.

* International monetary institutions: International Monetary Fund, World Bank, Bank for International Settlements, International stock exchanges, International credit-rating agencies.
* International sources of finance: Financial instruments and international trade – bills of exchange, forfaiting, letters of credit, factoring, invoice discounting, securitisation, options, futures and swaps (see below), Eurocurrency markets, Euro-paper and Euro-note markets, Eurobond markets, Sharia-bond markets, Futures and options markets, International equity markets.
* The foreign exchange market: The importance of exchange rates, Floating exchange rate systems, Fixed exchange rate systems, Adjustable-peg exchange rate systems, Common currencies, International clearing systems, Purchasing power parity, Foreign currency futures versus forward contracts, Forwards and futures in commodities, Speculative positions in forward contracts, Arbitrage and the determination of spot and future rates, Exchange rate forecasting, Foreign currency swaps, Foreign currency options.
* Techniques for dealing with global exchange rate and interest rate risks: Internal and external hedging techniques, Hedging *FOREX* transactions exposure, operating exposure and its management, Difficulties in choosing between fixed and floating rates of interest, Interest yield curve and its role in interest rate exposure management, Potential exchange rate risk – scenario analysis.

**3. Understand capital requirements and working capital management in an international context**

Role of multinationals within the international business and financial environment; Types and objectives of multinationals, Constraints – environmental, regulatory and ethical, Benefits gained – economies of scale, sources of lower production costs, market share, diversification, new skills and experience, Risk exposures – operational restrictions, discriminatory practices, loss of assets, confiscation, expropriation, nationalisation, trade related disputes, corruption, labour problems.

* Investment Decisions; Investment appraisal processes, mutually exclusive projects and capital rationing, Real options including abandonment options, Management of risk, Decision processes – certainty equivalents and sensitivity analysis, Portfolio theory, Systematic v unsystematic risk.
* Working Capital Management; Importance of the working capital cycle, Use of cash, Cash budgeting and control, Treasury management practices, Stock, cash and credit controls, Short term investment opportunities, Working capital management strategies.
* Planning, monitoring and managing short term assets; Features of international trade financing – accounts receivable financing, cross border factoring, acceptances etc., International issues of cash management – reasons for holding cash, cash pooling, interest rate influences, managing blocked funds, Criteria for obtaining short term funds, Influences of foreign currency stability.

**4. Be able to assess the key issues and approaches to international financial management**

International financial management; Cross-listing on foreign stock exchanges, International liquidity and market integration, Transfer pricing, International taxation, International dividend policies, Off-shore banking and financial centres.

* Government monetary and fiscal policies and international financial management; Monetary policies, Fiscal policies, Financial interdependence, Growth of global financial flows, Impacts of global financial flows, Control of global financial flows, Economic unions.
* Methods of internationalisation and international financial management; Export-based methods – direct and indirect exporting, Non-export-based methods – licencing and franchising, Joint ventures and alliances, Cross border mergers and acquisitions.