

Controllers' Guide to Multinational Financial Management

Chapter 1:

The What and Why of Multinational Finance

Learning Objectives:

After completing this section, you should be able to:

1. Recognize some special features of a multinational corporation (MNC).
2. Distinguish the factors that complicate financial decision making in an international environment.

Chapter 2:

Foreign Exchange Rate Determination and Foreign Exchange Market

Learning Objectives:

After completing this section, you should be able to:

1. Define an exchange rate.
2. Recognize the different conventions for exchange rate quotation.
3. Compute the rate of exchange for a foreign.
4. Identify the functions of foreign exchange markets.

Chapter 3:

Currency Exchange: Spot, Forward, and Futures Markets

Learning Objectives:

After completing this section, you should be able to:

1. Recognize definitions for spot and forward exchange rates.

2. Recognize how the bid/ask rates are used in the foreign exchanges.

Chapter

Currency Options

4:

Learning Objectives:

After completing this section, you should be able to:

1. Recognize the nature of an option contract.
2. Identify the purpose of hedging in the foreign currency market.
3. Recognize factors in value determination of currency options.
4. Identify different foreign currency contracts and their uses.

Chapter

Determining Floating Exchange Rates

5:

Learning Objectives:

After completing this section, you should be able to:

1. Recognize how exchange rates occur in international monetary system.
2. Recognize how international markets influence of foreign exchange prices.
3. Recognize the impact of economic policies on trade patterns and currency markets.

Identify factors affecting the value of the US dollar

Chapter 6:

Government Intervention in Currency Markets

Learning Objectives:

After completing this section, you should be able to:

1. Identify characteristics of the current international monetary system.
2. Recognize some systems of international exchange rate regulations such as the Bretton Woods System and European Monetary System.
3. Identify characteristics of special international currency reserves such as special drawing rights.
4. Recognize causes of the Financial Crisis 2007-2010.

Chapter 7:

Determining Forward Exchange Rates

Learning Objectives:

After completing this section, you should be able to:

1. Identify the influence of interest rates on a country's currency.

2. Recognize the implications of the interest rate parity (IRP) theory.
3. Identify the influence of interest rates on forward and spot exchange rates.

Chapter

8:

Inflation Rates and Currency Values

Learning Objectives:

After completing this section, you should be able to:

1. Recognize the concept of purchasing power parity.
2. Identify the concept underlying the Law of One Price.

Chapter

9:

International Capital Market Equilibrium

Learning Objectives:

After completing this section, you should be able to:

1. Recognize the relationship between interest rates and future exchange rate changes.
2. Identify the concept of the Fisher Effect and the relationship between real interest rates in different countries.

Chapter 10:

Forecasting and the Efficiency of International Markets

Learning Objectives:

After completing this section, you should be able to:

1. Recognize the relationship between exchange rates, interest rate, and inflation rate as it relates to the financial market efficiency.
2. Identify how the efficient market hypothesis is used to predict the foreign exchange rates.

Chapter 11:

Managing Foreign Transaction Exposure

Learning Objectives:

After completing this section, you should be able to:

1. Recognize the nature of transaction exposure.
2. Recognize how hedging techniques can decrease uncertainty.
3. Identify strategies for eliminating some transaction exposure.
4. Identify the contracts that can be used to hedge risk.

Chapter

12:

Managing Translation Exposure

Learning Objectives:

After completing this section, you should be able to:

1. Define translation exposure as it relates to foreign currency exposure.
2. Recognize the functional currency of the firm.
3. Identify different methods for translating financial statements.

Chapter

13:

Managing Operating Exposure

Learning Objectives:

After completing this section, you should be able to:

1. Recognize operating (economic) exposure as it relates to multinational, import-export, and purely domestic operations.
2. Identify methods and objectives for a company to minimize operating exposure from changes in various exchange rates.
3. Recognize strategies for controlling the degree of operating exposure to exchange rate changes.

Chapter

14:

Exports and Imports Financing

Learning Objectives:

After completing this section, you should be able to:

1. Recognize the main documents that are used to in international trade.
2. Identify the purpose of quasi-government institutions that help businesses control credit risk, such as the Foreign Credit Insurance Association.

Chapter

15:

Working Capital Management

Learning Objectives:

After completing this section, you should be able to:

1. Identify organizational structures used by multinational companies to reduce its need for bank lending to support international cash flow.
2. Recognize the principle behind practices such as multilateral netting.
3. Recognize international business practices such as countertrade.

Chapter

Financing Globally

16:

Learning Objectives:

After completing this section, you should be able to:

1. Recognize the attributes of international leasing.
2. Identify the special reasons for using Eurobonds rather than domestic bonds.

Chapter

Managing Political Risk

17:

Learning Objectives:

After completing this section, you should be able to:

1. Identify some basic techniques that can be used to measure the probability and quantify the magnitude of political risk.
2. Recognize methods for reducing political risk prior to making foreign investments.

Chapter

18:

Foreign direct Investment

Learning Objectives:

After completing this section, you should be able to:

1. Identify the factors that distinguish capital budgeting decisions regarding foreign investment.
2. Recognize methods for evaluating proposed direct foreign investments.
3. Recognize the most frequently used methods of analyzing international capital budgeting.

Chapter

19:

International Banking

Learning Objectives:

After completing this section, you should be able to:

1. Define a Eurodollar.

Recognize different types of multinational banking organizations

Chapter

20:

International Diversification

Investing

and

Learning Objectives:

After completing this section, you should be able to:

After reading this chapter, you should be able to:

1. Recognize the advantages and limitations of international investing and diversification.
2. Compute the total return of an international investment.
3. Identify instruments designed to facilitate international investment.