Controller's Guide to Multinational Financial Management

Course Description

This course is designed for managers working for multinational companies (MNCs) as well as accountants, CFOs, controllers, treasurers, and international investors. In a modern economy, neither businesses nor individual investors can afford to be ignorant of the basic concepts of international finance. Changes in exchange rates and differences in national inflation and interest rates can affect the competitive position of businesses regardless of whether they are engaged in international operations. It is a valuable overview of financial management of MNCs and how it works. Discussed in detail are practical techniques and tools needed for currency risk management, financing, working capital management, international banking, imports and exports, and international investing and portfolio diversification, as well as for business on a global scale. Foreign currency risks are explained as they are conditioned by inflation, regional political factors, and government intervention in foreign markets.

Completion Deadline & Exam: This course, including the examination, must be completed within one year of the date of purchase. In addition, unless otherwise indicated, no correct or incorrect feedback for any exam question will be provided.

Course Level: Overview. This program is appropriate for professionals at all organizational levels.
CPE Credits: 14 (CPA)
Category: Finance
Prerequisite: None
Advanced Preparation: None

Course Learning Objectives

Chapter 1: The What and Way of Multinational Finance

Upon completion of this chapter, you will 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

Upon completion of this chapter, you will 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

Upon completion of this chapter, you will 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 4: Currency Options

Upon completion of this chapter, you will 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 5: Determining Floating Exchange Rates

Upon completion of this chapter, you will 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.
4. Identify factors affecting the value of the US dollar.

Chapter 6: Government Intervention in Currency Markets

Upon completion of this chapter, you will 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

Upon completion of this chapter, you will 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

Upon completion of this chapter, you will 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

Upon completion of this chapter, you will 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

Upon completion of this chapter, you will 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

Upon completion of this chapter, you will 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

Upon completion of this chapter, you will 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

Upon completion of this chapter, you will 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

Upon completion of this chapter, you will 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

Upon completion of this chapter, you will 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 16: Financing Globally

Upon completion of this chapter, you will be able to

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

Chapter 17: Managing Political Risks

Upon completion of this chapter, you will 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

Upon completion of this chapter, you will 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

Upon completion of this chapter, you will be able to

1. Define a Eurodollar.
2. Recognize different types of multinational banking organizations.

Chapter 20: International Investing and Diversification

Upon completion of this chapter, you will 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.