

# Foreign Exchange Exposure and Management

Course Code: LIBFBBAEIF01

<b>Study Level</b> BA	<b>Language of Instruction and Examination</b> Englisch		<b>CP</b> 5	<b>Admission Requirements</b> none
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## Course Description

The financial management of multinational enterprises (MNEs), i.e., corporations with operations in more than one country whose business is conducted via branches, subsidiaries, or joint-ventures, is quite challenging, particularly in terms of currency risk. This course examines international corporate finance within the context of understanding foreign exchange markets and the management of foreign exchange exposures.

## Course Outcomes

On successful completion, students will be able to

- appreciate the challenges of managing MNEs in the context of currency exposure and hedging techniques.
- understand the foreign exchange market and exchange rate determination.
- be able to critically analyze methods to manage foreign exchange exposures of MNEs.

## Contents

1. Foreign exchange (FX) markets and exchange rate determination to help understand the key players and their roles and influences on exchange rates as well as the key theories around the determination of exchange rates.
2. International parity conditions looking at impact of inflation on FX rates and the implications from the theory of One Price to relative Purchasing Power Parity for international companies.
3. Identification of corporate foreign exchange risks to help understand the types of exposure (transaction, translation and operating exposures) and to explore strategies MNEs use to manage FX risks.
4. Understand hedging techniques from internal through to external hedging methods and to appreciate why corporations take differing hedging strategies for their exposures.

**Literature****Compulsory Reading**

- Eiteman, D.K., Stonehill, A.I. and Moffett, M.H. (2015), *Multinational Business Finance*. 14th edn. Harlow : Pearson Education Limited.

**Further Reading**

- The above-mentioned Essential Reading will be supplemented by a range of other learning resources including e-books, e-journals, online activities, web-based articles, videos, forums and blogs, either freely available or available via KnowledgeBank, as recommended by your course lecturer.