| **Unit 8 International Finance** | | | |
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| **Unit aims** | 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. | | |
| **Unit level** | 7 | | |
| **Unit code** | K/650/5367 | | |
| **GLH** | 60 | | |
| **Credit value** | 15 | | |
| **Unit grading structure** | Pass-Merit-Distinction | | |
| **Assessment guidance** | To achieve this unit learners must produce work which demonstrates achievement of the learning outcomes at the standards provided by the assessment criteria.<br><br>In this unit, learners can approach all learning outcomes from a theoretical perspective, using appropriate examples to illustrate their work. Learners will need to agree with tutors an appropriate organisation on which to base their study. Tutors need to ensure that the organisation chosen is suitable. Additional assessment guidance is provided in the ATHE assignment.<br><br>Learner work should demonstrate substantial coverage of the unit indicative content. | | |
| **Learning outcomes The learner will demonstrate that they:** | **Assessment criteria The learner can:** | | |
| | **Pass** | **Merit** | **Distinction** |
| 1. Understand the objectives of international accounting standards | 1.1 Assess the objectives of developing International Accounting Standards<br>1.2 Explain how International Accounting Standards are applied to specific financial situations<br>1.3 Analyse the effect of applying specified International Accounting Standards to financial statements | | |
| 2. Understand the potential impacts of the international | 2.1 Examine the key features of, and major institutions involved in, | 2M1 Evaluate foreign exchange management | |

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| financial environment on decision-making | the international financial environment<br>2.2 Assess the role of international financial markets and financial instruments as sources of finance<br>2.3 Analyse the exchange rate market and the importance of exchange rates to an organisation | | |
| 3. Understand capital requirements and working capital management in an international context | 3.1 Analyse capital requirements in the context of a multinational enterprise<br>3.2 Evaluate the contribution of financial theory in developing capital structures in a multinational enterprise | | 3D1 Evaluate working capital management strategies and their consequences for a named multinational enterprise |
| 4. Understand key issues and approaches to international financial management | 4.1 Analyse the environmental factors influencing international financial management decision-making<br>4.2 Analyse international merger, acquisition and investment policies and their relevance for international financial management | 4M1 Assess the influence of foreign government fiscal and monetary policies for global financial flows | |

**Indicative Content**

**LO1 Understand the objectives 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, Changes in Accounting Estimates and Errors , 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

**LO2 Understand 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

**LO3 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

**LO4 Understand 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

**Suggested Resources**


Arnold, G. and Lewis, D.S., 2019, Corporate Financial Management Pearson UK

Cloyne, J., Ferreira, C., Froemel, M. and Surico, P., 2018, Monetary Policy, Corporate Finance and Investment (No. w25366), National Bureau of Economic Research

Collis, J., Holt, A. and Hussey, R., 2017, Business Accounting*,* Bloomsbury Publishing

Gillan, S.L., Koch, A. and Starks, L.T., 2021, Firms and Social Responsibility: A Review of ESG And CSR Research in Corporate Finance, Journal of Corporate Finance*, 66*, p.101889

Hillier, D., 2019, EBOOK: Corporate Finance: European Edition, McGraw Hill

Kimmel, P.D., Weygandt, J.J. and Kieso, D.E., 2020, Financial Accounting: Tools for Business Decision-making, John Wiley & Sons

Quiry, P., Le Fur, Y. and Vernimmen, P., 2022, Corporate Finance: Theory and Practice John Wiley & Sons

Sangster, A. and Wood, F., 2018, Frank Wood's Business Accounting Volume 1 (Vol. 1), Pearson UK

Stulz, R., 2022, Applied Corporate Finance, Journal of Applied Corporate Finance, 34(1)


**Websites**

https://internationalfinance.com/ - International Finance

https://onlinelibrary.wiley.com/journal/14682362 - International Finance articles

https://www.accaglobal.com/gb/en.html - Associations of Chartered Certified Accountants

https://www.emerald.com/insight/publication/issn/1569-3767 - Emerald Publishing

https://www.sciencedirect.com/journal/journal-of-international-money-and-finance - Journal of International Money and Finance

| Unit 8 International Finance - Opportunities for Synoptic Teaching and Learning | |
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| Learners and tutors will have the opportunity to link the learning from this unit with the content of other units. | |
| **Learning Outcome** | **Teaching and learning links to other unit LO/AC** |
| LO3 Understand capital requirements and working capital management in an international context | Unit 2 Finance for Strategic Managers, LO3 Evaluate proposals for strategic capital expenditure in an organisation |
| LO4 Understand key issues and approaches to international financial management | Unit 6 International Business Environment, LO2 Understand the impact of globalisation and international trade on business<br><br>Unit 6 International Business Environment, LO3 Understand the international markets in which businesses operate |
| **Opportunities for Synoptic Assessment** | |
| Some of the AC require knowledge from one or more of the LOs.<br><br>LO4 Understand key issues and approaches to international financial management builds on the international finance concepts explored in LO1, LO2 and LO3. | |

| Opportunities for Skills Development within this unit | |
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| **Employability Skills** | **Study Skills** |
| **Problem-solving** – Using analytical skills, e.g. research skills, handling information, consulting multiple sources, categorising information. Using critical thinking skills, e.g., listening to/reading all information, identifying others' positions, arguments and conclusions, weighing up opposing arguments (avoiding jumping to conclusions, spotting fake ideas/news) drawing conclusions **(LO1, LO2, LO3, LO4)**<br><br>**Digital skills** - Applying relevant numeracy skills to explore and organise data appropriately **(LO1, LO2, LO3, LO4)** | **Thinking skills** - Using analytical skills, eg research skills, handling information, consulting multiple sources, categorising information. Using critical thinking skills, eg listening to/reading all information, identifying and interpreting others' positions, arguments and conclusions, weighing up opposing arguments (avoiding jumping to conclusions, spotting fake ideas/news), drawing conclusions **(LO1, LO2, LO3, LO4)**<br><br>**Using sources of information** – Accessing information ie choosing current, sufficient, relevant and reliant sources **(LO1, LO2, LO3, LO4)**<br><br>**Reading skills** – Identifying different reading materials. Reading with a purpose, e.g., to understand an idea/concept, to retain information for revision, to research **(LO1, LO2, LO3, LO4)** |