

INTERNATIONAL FINANCIAL MANAGEMENT

INTRODUCTION

The module builds on the concepts, conventions and principles of Financial Accounting in Stage 1 and Management Accounting in Stage 2. The module focuses on the critical elements of financial decision making for hospitality organisations operating within the international business environment, including investment decisions, opportunities and risk, sources of finance and management of working capital. It presents the central role of financial management in determining an organisation's continued success, and examines the role of financial strategy in achieving corporate objectives. The module places considerable emphasis on the techniques and practices of optimising financial yield through revenue efficient utilisation of services.

As part of the coursework for this module students will be required to undertake a significant project involving the application of financial models in a critical analysis of the practical and theoretical elements of international financial management of a international hospitality service provider.

AIMS

To provide students with a clear understanding of:

- The link between company decision-making and the operation of capital markets
- The link between finance and globalisation
- The financial environment in which multinational firms and managers must operate
- The International Monetary System and Foreign Exchange Management
- The financial management of a multinational firm
- How to assess overseas investment opportunities

LEARNING OUTCOMES

On completion of this module successful students will be able to:-

- Understand a complex body of knowledge relating to the international financial environment within which the hospitality industry must operate
- Critically evaluate the international financial objectives of various types of multinational hospitality organisations and the respective requirements of stakeholders
- Understand capital markets
- Possess a comprehensive knowledge of alternative sources of international finance and investment opportunities and their suitability in particular circumstances
- ***Understand the factors affecting international investment decisions and opportunities in the hospitality industry***
- Apply financial models in a critical review of the international hospitality industry
- Understand the nature of international financial risk and how to apply various hedging techniques in order to reduce it
- Apply knowledge and understanding to maximise the financial yield from an international hospitality organisation's services

- Exercise judgement in managing working capital
- Appraise the factors underlying mergers and acquisitions
- Critically examine the trends for mergers and acquisitions in the international hospitality sector
- Apply research skills to independently source information from a range of sources to support coursework and study
- Integrate both the practical and theoretical elements of international financial management in the study of international hospitality
- Communicate effectively in discussion and contribute responsibly to team-work efforts

SYLLABUS

Overview of International Financial Accounting

- Globalisation and the multinational company
- International Diversity in Financial Reporting Systems
- Internal and external influences on accounting rules and practices
- Cultural impact on accounting rules and practices
- Measuring international differences in accounting rules and practices
- International Accounting Standards

International Financial Integration: relations between interest and exchange rates

- International Parity Relationships and Forecasting Foreign Exchange Rates
- Foreign exchange, risks and exposure
- Exchange rates, currency futures and options markets
- Modern theories of exchange rates
- Alternative systems of exchange rates
- The international Financial System, past, present and future

Multinational Accounting

- Foreign Currency Transactions
- Translation of Foreign Entity Statements
- International Stakeholder groups/considerations
- Yield management
- Resource Utilisation

Sources of International Finance and Capital Structures

- International Capital mobility - sources
- Capital markets (stock exchange, euro-markets, etc)
- Long v short finance
- Retained earnings and dividend policy
- Equity v debt
- Calculation of cost of various sources
- Competing theories on cost of capital
- Capital asset pricing model

Capital budgeting

- evaluation methods - payback period/accounting rate of return / discounted cash flow (net present value, internal rate of return, adjusted present value)
- relevant cash flows
- impact of inflation/taxation
- capital rationing
- asset replacement decision
- lease v buy decisions
- treatment of risk and uncertainty
- portfolio theory

International Investment Decisions

Mergers and Acquisitions

- reasons for acquisition
- impact on bidder and target
- form of consideration
- de-mergers / management buyouts
- company valuation process

International Investment Opportunities

- Implications of global investments - FDI
- Evaluation of various investment instruments available to individuals / corporations
- Impact of overseas income and corporate taxes
- Identification of investment opportunities in individual circumstances
- Risk analysis in investment decisions

Management of Working Capital

- Use of short-term funds
- Cash management - cash budget/centralised cash management/computerised cash management systems
- Short-term investments
- Management of overseas stocks/debtors/creditors
- Overtrading
- Factoring/invoice discounting
- Credit scoring