



INTERNATIONAL FINANCIAL MANAGEMENT

5 TH EDITION

JEFF MADURA

INTERNATIONAL FINANCIAL MANAGEMENT 5 THEDITION

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PREFACE

The globalization of business is well documented in financial reports of large and small corporations. This trend has been motivated by the reduction in cross-border barriers, as has recently occurred in Eastern Europe, in some Latin American countries, and in the Pacific Basin. As markets become more internationally integrated, foreign markets will have more influence on corporate performance. Therefore, an understanding of international financial management is becoming even more critical to a company's success.

INTENDED MARKET

This text presumes an understanding of basic corporate finance. It is suitable for both undergraduate and master's level courses in international financial management. Some master's courses may attempt to maximize student comprehension by assigning the more difficult questions and problems, as well as the special exercises and projects in each chapter.

ORGANIZATION OF THE TEXT

This text is organized first to provide a background on the international environment and then to focus on the managerial aspects from a corporate perspective. Part 1 (Chapters 1 to 5) introduces the major markets that serve international business. Part 2 (Chapters 6 to 8) describes relationships between exchange rates and economic variables, and explains the forces that influence these relationships. Part 3 (Chapters 9 to 12) begins the managerial perspective, with a focus on the measurement and management of exchange rate risk. Part 4 (Chapters 13 to 15) concentrates on the corporate management of short-term assets and liabilities. Part 5 (Chapters 16 to 21) describes the management of long-term assets and liabilities.

Each chapter is self-contained, so that professors can use classroom time to focus on the more comprehensive concepts and rely on the text to cover the other concepts. Chapters can be rearranged without a loss in continuity. Regardless of the sequence of chapters desired, it is highly recommended that the Wall Street Journal Case be assigned in each chapter, along with selected Questions.

APPROACH OF THE TEXT

The approach of the text is to reinforce the key concepts in the following ways:

- 1. OPENING DIAGRAM: A diagram is provided at the beginning of each part to illustrate in general terms how the key concepts to be covered in that part are related. This offers some intuition about the organization of chapters in that part.
- **2.** OBJECTIVES: The key concepts are identified within a bulleted list of the objectives at the beginning of the chapter.
- **3.** EMPHASIS: The key concepts are thoroughly described in the chapter.
- **4.** SUMMARY: The key concepts are summarized at the end of the chapter in a bulleted list that corresponds to the list of objectives at the beginning of the chapter.
- **5.** SELF-TEST: A "Self-Test" at the end of each chapter challenges students on the key concepts. The answers to these questions are provided in the back of the text.
- 6. END OF CHAPTER QUESTIONS AND PROBLEMS: Many of the Questions and Problems at the end of each chapter test the students knowledge of the key concepts.
- 7. CASE PROBLEM: The Case Problem at the end of each chapter integrates the key concepts within each chapter. Some of these problems involve the use of a computer spreadsheet, such as Lotus 1-2-3.
- **8.** CORPORATE DILEMMA: Corporate Dilemmas at the end of each chapter allow students to apply chapter concepts to actual global dilemmas recently experienced by U.S. corporations.
- 9. SMALL BUSINESS DILEMMA: Small Business Dilemmas at the end of each chapter place students in a position where they must use concepts introduced in the chapter to make decisions about a dilemma experienced by one particular small business called Sports Exports Company.
- 10. RUNNING YOUR OWN MNC: At the end of each chapter, there is a section called Running Your Own MNC in which students are asked to create and develop an international business. They are required to create an idea for an international business in Chapter 1. Then they build on their idea in this section in each chapter as they are asked to apply the corresponding chapter's concepts to the international business that they created. This gives students practice at applying the concepts to practice.
- 11. INTERNET APPLICATIONS: Internet Applications at the end of each chapter explain how the Internet can be used to access international financial data and obtain more information on the chapter concepts. It also contains an exercise that enables students to personally experience the application of the Internet to the chapter's key concepts.
- **12.** PROJECTS: At the end of each chapter, projects are recommended for students who wish to more thoroughly understand one or more of the key concepts. A data bank provided in the back of the text can be used for some of the projects.

- **13.** INTEGRATIVE PROBLEM: The Integrative Problem at the end of each part integrates the key concepts across chapters within that part.
- 14. The appendix "Focus on an MNC" enables students to apply many of the chapter concepts to a specific MNC in which they are interested. This appendix also gives students experience in reviewing an annual report and recognizing the link between theory and practice.

CHANGES IN THIS EDITION _

- All chapters have been updated to incorporate recent trends and events.
- Where appropriate, the effects of the North American Free Trade Agreement (NAFTA) and other policies promoting free trade are discussed.
- The chapter entitled "Financing International Trade" (Chapter 13)
 has incorporated a discussion of the latest trade financing techniques.
- The appendix on International Stock Diversification has been expanded, and is now attached to the end of the chapter on International Financial Markets (Chapter 3).
- More attention has been given to the global environment, including the exposure to foreign competition and penetration in foreign markets by MNCs.
- Information on how commercial banks serve the international financial markets is now provided in the chapter on International Financial Markets (Chapter 3). The last two chapters of the text on international banking have been removed to concentrate exclusively on the managerial perspective.
- The chapter on Country Risk Analysis (Chapter 19) has been revised to incorporate more actual applications of measuring country risk.
- Additional examples of key concepts as applied to specific MNCs have been added.
- The discussion of a Single European Currency has been included.
- The discussion of pricing foreign currency options has been expanded.
- More attention has been given to the concept of exchange rate volatility, and the methods of forecasting exchange rate volatility.
- A section called "Corporate Dilemma" has been added to the end of each chapter, so that students can apply chapter concepts to actual global dilemmas recently experienced by U.S. corporations.
- A section called "Small Business Dilemma" has been added to the end of each chapter, which places students in a position where they must use concepts introduced in the chapter to make decisions about a dilemma experienced by one particular small business called Sports Exports Company.
- "Running Your Own MNC" has been added to the end of each chapter, which requires students to create and develop an international business. They create their international business idea in Chapter 1; they build on their idea in this section in each chapter

- as they are asked to apply the corresponding chapter's concepts to the international business that they created. This gives students practice at applying the concepts to practice.
- "Internet Applications" have been added to the end of each chapter, which explain how the Internet can be used to access international financial data and obtain more information on the chapter concepts. They also contain an exercise that enables students to personally experience the application of the Internet to the chapter's key concepts.
- An end-of-text Internet Appendix, prepared by Ufuk Ince of Georgia State University, introduces students to using the World Wide Web for finance. This guide will help students locate the information needed to solve the Internet Applications.

SUPPLEMENTS FOR THE PROFESSOR

The following supplements are available for the professor:

- 1. An Instructor's Manual, which contains the chapter theme, topics to stimulate class discussion, and answers to end of chapter Questions, Case Problems, Corporate Dilemmas, Small Business Dilemmas, and Integrative Problems.
- **2.** A computer diskette (contained within the Instructor's Manual) of the data bank that is provided in the back of the text.
- 3. A Test Bank.
- **4.** A computerized Test Bank, which is a microcomputer test generation program for IBM PCs and compatibles.
- 5. Transparency masters that reflect many of the exhibits illustrated in the text.
- 6. PowerPoint presentation slides, prepared by Gary Patterson of University of Baltimore, which are intended to enhance lectures (available to qualified adopters).

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