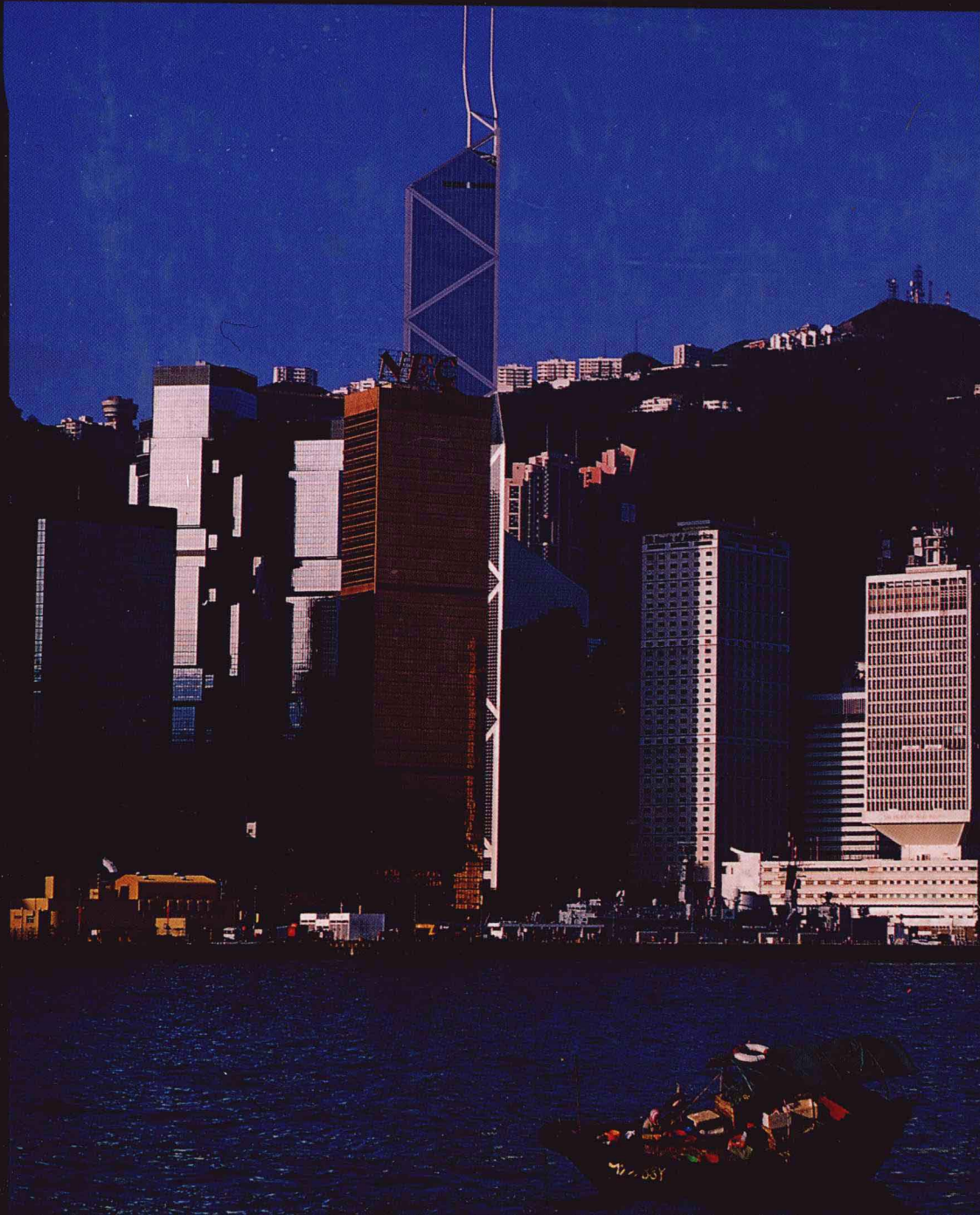


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# International Financial Management



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FOURTH EDITION

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**Jeff  
Madura**

F O U R T H E D I T I O N

# INTERNATIONAL FINANCIAL MANAGEMENT

**JEFF MADURA**

Florida Atlantic University

**WEST PUBLISHING COMPANY**

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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 case problems 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. Part 6 (Chapters 22 and 23) describes international financial management from a banker's perspective.

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

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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. **"IN PRACTICE" BOXES:** The "In Practice" boxes within chapters offer additional insight on these concepts, as they explain how various techniques are used by practitioners.
5. **"APPLIED RESEARCH" BOXES:** The "Applied Research" boxes within chapters summarize recent research findings on the key concepts and theories presented.
6. **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.
7. **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.
8. **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.
9. **WALL STREET JOURNAL (WSJ) CASE:** The "WSJ Case" at the end of each chapter provides a Wall Street Journal article that illustrates how the chapter's key concepts apply to real world situations. Questions at the end of the WSJ Case test the students understanding of how the key concepts are used in practice.
10. **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.
11. **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.
12. **INTEGRATIVE PROBLEM:** The Integrative Problem at the end of each part integrates the key concepts across chapters within that part.

## CHANGES IN THIS EDITION

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- All chapters have been updated to incorporate recent trends and events.
- The chapter titled “Government Influence on Exchange Rates” (Chapter 6) includes a section on the recent Exchange Rate Mechanism (ERM) crisis in Europe.
- Where appropriate, the effects of the North American Free Trade Agreement (NAFTA) and other policies promoting free trade are discussed.
- The chapter titled “Financing International Trade” (Chapter 13) has incorporated a discussion of the latest trade financing techniques.
- The chapter titled “Multinational Capital Budgeting” (Chapter 17) has been substantially revised to demonstrate how international conditions can influence the capital budgeting process.
- The chapter titled “Multinational Cost of Capital and Capital Structure” (Chapter 18) has been substantially revised, to demonstrate how international conditions affect the cost of capital and capital structure. The link between this chapter and multinational capital budgeting is emphasized.
- The chapter titled “Country Risk Analysis” (Chapter 19) has been revised to emphasize the relationships between country risk, the cost of capital, and multinational capital budgeting.
- A “Wall Street Journal Case” has been added at the end of each chapter, which provides a reprinted article from *The Wall Street Journal* that is related to the chapter. The article is followed by questions that test the student’s ability to apply concepts in the chapter.
- An “Integrative Problem” has been added at the end of each part of the text. This problem is designed to integrate the key concepts throughout the various chapters within that part.

## SUPPLEMENTS FOR THE PROFESSOR

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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, WSJ Case Problems, 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 called “WesTest,” which is a microcomputer test generation program for IBM PCs and compatibles, and the MacIntosh family of computers.
5. Transparency masters that reflect many of the exhibits illustrated in the text.
6. Acetate transparencies that reflect some of the key exhibits in the text (available to qualified adoptors).



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