

# International Finance: Short-term Financing

**MASTER'S DEGREE MBA IN INTERNATIONAL MANAGEMENT**

***UNIVERSIDAD INTERNACIONAL MENÉNDEZ PELAYO***

This document can be used as reference documentation of this subject for the application for recognition of credits in other study programmes. For its full effect, it should be stamped by UIMP Student's Office.



## GENERAL DATA

### Brief description

To provide students with the knowledge and tools to be able to make decisions in the field of the most common financial risks in international trade, namely: the risk of non-payment and exchange rate risk. This involves knowledge of subjects such as: means of collection/payment in international trade, bank guarantees in international trade, export credit insurance, exchange control, international currency markets, the main hedging systems for exchange risk and the possibilities of export financing in own or foreign currency.

### Name

International Finance: Short-term Financing

### Code

102800

### Academic year

2024-25

### Degree

[MASTER'S DEGREE MBA IN INTERNATIONAL MANAGEMENT](#)

### ECTS Credits

2

### Type

MANDATORY

### Duration

Cuatrimestral

### Language

Spanish/English

# CONTENTS

## Contents

### Topic 1: Means of collection/payment

#### Session 1.

- &#8226; Introduction to the module
- &#8226; Introduction to means of collection/payment.
- &#8226; Support structure for international collections/payments.
- &#8226; Documents used for means of collection/payment.
- &#8226; Typologies for means of collection/payment.
- &#8226; Time of payment.
- &#8226; Costs for means of collection/payment.
- &#8226; Choosing means of collection/payment.

#### Session 2.

- &#8226; Simple payment order
- &#8226; Cross-border payments in the European Union.
- &#8226; Debit domiciled in the European Union.
- &#8226; Cheques.
- &#8226; International remittances.
- &#8226; Documentary remittance against payment.
- &#8226; Documentary remittance against acceptance.
- &#8226; Simple remittance.

#### Session 3.

- &#8226; Documentary credit. Essential concepts and operational scheme.
- &#8226; Advantages and disadvantages. Use.
- &#8226; Irrevocability and confirmation.
- &#8226; Documents.
- &#8226; Deadlines.
- &#8226; Place of presentation.

#### Session 4.

- &#8226; Documentary credit and sales contracts.
- &#8226; Analysis of terms and conditions by banks.
- &#8226; Method of use.
- &#8226; Usual content.
- &#8226; Special documentary credits: transferable, secured, revolving, red clause and green clause. Documentary credit and letters of credit.

### Topic 2: International guarantees and Topic 3: Export credit insurance

#### Session 5.

##### International guarantees

- &#8226; Introduction to guarantees.
- &#8226; Standby letter of credit.
- &#8226; Guarantee on first demand.

- &#8226; Contractual bond.

- &#8226; Other short-term guarantees: bill of exchange guarantees.

#### Credit insurance

- &#8226; Causes of loss.

- &#8226; Concepts, operational scheme and parties involved.

- &#8226; Insurable risks.

#### Session 6.

- &#8226; Short-term export credit insurance.

- &#8226; Causes of loss.

- &#8226; Insurance companies.

- &#8226; Short-term insurable transactions and examples of policies.

- &#8226; Coverage, indemnity and premiums.

- &#8226; Recruitment process and coverage.

#### Topic 4: Change control and Topic 5: Foreign exchange markets.

#### Session 7.

##### Change control.

- &#8226; Exchange control. Concept.

- &#8226; Exchange controls in Spain. General aspects.

- &#8226; Residents and non-residents in Spain.

- &#8226; Regulation in Spain of the main transactions.

##### Foreign exchange markets.

- &#8226; Concept of currency. Convertibility and exchange rates.

- &#8226; Foreign exchange markets: main features.

#### Session 8.

- &#8226; Supply and demand for foreign exchange: types of transactions.

- &#8226; Exchange rate developments: factors determining exchange rates.

- &#8226; The impact of the exchange rate on foreign trade.

- &#8226; Forms of exchange rates

- &#8226; Examples of exchange rates.

- &#8226; Cross rates.

- &#8226; Value date. Spot market and forward market.

#### Topic 6: Foreign exchange risk and hedging.

#### Session 9.

- &#8226; Concept of exchange rate risk and modalities.

- &#8226; Hedging of foreign exchange risk.

- &#8226; By compensation.

- &#8226; Structural debt.

- &#8226; Through the forward foreign exchange market and exchange rate

&#8220;insurance&#8221;.

- &#8226; Forward exchange rate formation

#### Session 10.

- &#8226; Calculation of forward exchange rates.

- Calculation of forward exchange rate appreciation/depreciation.
- Premium and discount exchange rates.
- Exchange rate insurance; and underlying bank hedging.
- Non-compliance with exchange rate insurance;.
- Foreign exchange options and futures.

Topic 7: Financing of exports.

Session 11.

- Introduction to foreign trade finance.
- Export financing: financial alternatives.
- Calculation of interest on discounting transactions.
- Determination of the interest rate to be applied.
- Invoicing in euros and financing in euros.
- Invoicing in a foreign currency and financing in euros, at a provisional exchange rate
- Invoicing in a foreign currency and financing in the same currency.
- Invoicing in a foreign currency, with exchange rate insurance;, and financing in euros.

Important note: The above correspondence between sessions and topics is only an indicative reference. It can be altered according to the progress in the subject by different lecturers and in different groups of students.

# COMPETENCES

## Conocimientos

CO1 - To learn about business management analytics in dynamic and complex environments, such as the international environment.

CO2 - To acquire a body of theoretical and practical knowledge and learning skills, which will enable those who remain interested to pursue further, more specialised studies in the field of advanced research or doctoral studies.

CO3 - To master the basic tools of information and communication technologies for exercising of their profession and for learning.

CO4 - To understand the concepts, theories and instruments for analysing and developing business internationalisation plans.

CO5 - To understand the nature of problems in the organisation and therefore the application of suitable tools by developing analytical skills.

CO6 - To acquire the skills for professional document drafting and reporting in the field of international business.

CO7 - To know the structure and functioning of the organisations and institutions that support companies' internationalisation.

CO13 - To learn to incorporate the concept of sustainability in business and institutional projects, identifying its specific areas of practical application.

CO14 - To learn to incorporate other SDG concepts, which are also relevant for international companies, in their projects, identifying their specific areas of practical application.

## Habilidades

S1 - To apply the theoretical and practical knowledge acquired, with a high degree of independence, in both national and international companies, be they small or medium-sized or companies of a more multinational dimension, and even in non-business organisations whose management requires an international vision.

S2 - To apply the analytical skills acquired in defining and approaching new problems and in searching for solutions both in a national and international business context.

S3 - To be able to collect, record and interpret macroeconomic data, country information, industry and business information, financial and accounting data, statistical data, and relevant research results to systematise business decision-making processes in international environments.

S4 - To apply the appropriate procedure to achieving an international business objective.

S5 - To assess the relationship between enterprises and the institutional framework in which

activities are carried out.

S7 - To manage software and statistical programmes for data recording and analysis.

S8 - To analyse the results of market and competition research to propose strategic orientations and operational actions.

# LEARNING PLAN

## Training activities

Type of activity	Hours	% On site
TA1.- Master classes	11	100
TA2.- Practical classes	7	100
TA3.- Individual and group work	10	5
TA5.- Individual student work	22	0

## Teaching methods

The course will be developed according to the following outline:

• Lectures by the lecturer in class, supported by presentations, which allow the content of the documentation to be addressed.

• Direct reading and study by the students of certain parts of the documentation.

• Eventually, case studies will be prepared and presented by the students in class, contrasting the answers with the lecturer.

• Direct study by students of solved cases relating to Foreign Exchange, Exchange Risk and Export Finance.

The lecturer's presentations will be interspersed with interactions with the students that will allow them to see their capacity for reasoning and understanding of the topics addressed.

VERY IMPORTANT NOTE: it should be noted that the practical part of the subject, with exercises on means of collection/payment, currency markets and exchange risk, applied to business cases, will be developed mainly for the subject "Foreign trade transactions workshop", in Phase III, once students have the necessary training in the subjects of International Logistics, Customs and International Contracting, which is essential to correctly carry out advanced practical cases of means of collection/payment and guarantees. This will complement the applied cases dealt with in Short-Term International Finance.

## Learning outcomes

• To know the different means of collection/payment used in international trade, how they work and their advantages and disadvantages for exporters and importers, as well as the intervention of banking institutions. This places special emphasis on the most commonly used means of collection/payment in business-to-business relations, as well as on those that can provide exporters with the greatest coverage against the risk of non-payment, such as documentary remittance and documentary credit.



• To know the main alternative instruments (to the means of collection) to cover the risk of non-payment for exporters, such as bank guarantees and export credit insurance, from the perspective of short-term transactions.

• To know the main aspects of the regulation affecting international collections and payments, i.e. the concept of exchange control, in the international context and, specifically, in the case of Spain.

• To understand the characteristics of foreign exchange markets: their nature and functioning, as well as the formation of the exchange rate (spot and forward), the factors that influence its evolution and its impact on international trade transactions.

• To understand the incidence of exchange rate risk in different types of international transactions, as well as the main hedging systems against this risk: exchange rate insurance; (in particular) and currency options.

• To know the essential aspects of foreign trade financing and, specifically, the alternatives that arise in export financing from the use of different invoicing and financing currencies. To understand the use of financing as an instrument for hedging foreign exchange risk.

# EVALUATION

## Evaluation system

The student's final grade in the ordinary exam will be determined on the basis of:

- Final exam of all the subjects for the course. This will have a weight of 85% in the grade for the course.
- Questions posed by the students on the pre-study topics: This will have a weight of 15% in the grade for the course.

The lecturer may increase or decrease the final grade achieved by up to 10% according to each student's participation in developing the teaching sessions. Those interventions which, while being concise, provide valuable elements for the students as a whole based on the concepts presented in the sessions will be especially valued, as well as participation in the possible practical cases proposed.

In the 2nd and subsequent examinations, 100% of the grade will depend exclusively on the exam, which may be a multiple-choice and/or essay (or mixed) type exam and whose format will be announced sufficiently in advance.

## **FACULTY**

### **Coordinator/s**

**Morán Serrano, Miguel**

*Licenciado en Ciencias Económicas y Empresariales.*

*Coordinador y Profesor en Máster universitario oficial, impartido en ICEX. Asignatura: Finanzas internacionales a corto plazo.*

### **Lecturers**

**Oliveira de Miguel, Eduardo**

*Ing. Agrónomo Universidad Politécnica y Master Dirección Financiera.*

*Consultor Financiación Internacional - Socio Director Albadia.*

**Pitarch Vázquez, Diego José**

*Ing. Técnico Superior Industrial / Lic. Administración Empresas.*

*ICEX.*

**Alberola Martínez, Manuel Gumersindo**

*Licenciado en Ciencias Económicas y Empresariales.*

*Finanzas. Socio director EXCE Business Consulting.*

*EXCE BUSINESS CONSULTING SL.*

## BIBLIOGRAPHY AND LINKS

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&#8226; Quiroga, Claudina (2020): Finanzas Internacionales. Madrid: Global Marketing Strategies.

### Useful links

&#8226; CESCE (Spanish Export Credit Insurance Company): <http://www.cesce.es>

&#8226; Fxstreet: <http://www.fxstreet.com/>

&#8226; ICEX Spain Export and Investment: [www.icex.es](http://www.icex.es)

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&#8226; International Chamber of Commerce: <http://www.iccwbo.org>

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### Interesting videos

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