

BOOK REVIEW



Jeff Madura:
***International Financial
Management***
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Jeff Madura has written numerous books and articles in the field of Finance, and the focus in the current work is on “International Financial Management”, which bridges the gap between theory and practice related to Financial Management in the international context by coupling an unrivalled and in-depth theoretical foundation with practical applications. Thirteen new editions have assembled upon the first edition of this masterpiece published in 1986, providing many new theoretical concepts and practical developments that substantially enhance the contribution of the book. To acquire a comprehensive understanding about application of finance concepts in the international perspective, this book requires to be used as a complementary work together with other books on Corporate Finance as it is necessary to have a theoretical background about the fundamental concepts and principles in finance.

It is apparent that this book is intended to deliver a far-reaching reportage of timely information and contemporary acumen built upon the fundamental principles, which are essential for someone to prosper in today’s global business environment. This intention of the author has remained unchanged from the initial edition of the book, and the reader-friendly style of writing enriched with clear explanations ensures that the content is thought-provoking and easily understood by the reader. With an emphasis on the role of contemporary multinational corporations in the business world, the author encourages managers to make decisions and to apply concepts with a proper understanding about the logic behind such principles.

In reviewing the book, it is required to scrutinize its organizational structure, especially to evaluate the way in which Madura achieves the intended objective of the book.

International Financial Management is a 752-page book which consists of five sections, each of which carries several linked chapters, and the chapters are arranged in a highly reader-friendly manner, carefully maintaining the link and connectivity among them.

The macro economic framework required for a detailed understanding in international financial management has been developed in the first two sections of the text. The Section one from Chapter one through Chapter five of the book focusses on International Financial Environment, in which Madura provides an overview about international flow of funds, international financial markets and determination of exchange rates, and further, he develops in this section a strong foundation which succours the reader in understanding advanced theories built upon these fundamentals. Application of currency derivatives by multinational corporations is discussed with special attention on the use of currency derivatives to hedge exposure to exchange rate risk.

In section two, the author elaborates the behaviour of exchange rates and the critical relationships associated with exchange rates based on the basic knowledge given through the first section of the book. Further, in this section, he focuses on the nature of government influence on the exchange rates and the impact of such influence on the economic conditions of a country. It is followed by the discussion on relationships between foreign currencies and the discrepancies that occur within the foreign exchange market. The theories on the impact of inflation and interest rates on the exchange rate are explained with a focus on how these relationships affect the value of the corporation which ultimately relates to the objective of those corporations.

Based on the macro level understanding developed, the remaining sections of the text focus on discussing micro level managerial aspects of international financial management. Section three elucidates on exchange rate risk management by concentrating on different activities involved, including approaches used to forecast exchange rates, measuring exposure to exchange rate fluctuations and managing of such exchange rate exposures. Functions involved in managing long term assets and liabilities of multinational corporations is extensively addressed through section four and it explains the factors that affect international investments and costs of financing those investments as well. An overview of the techniques through which multinational corporations can gain benefits from international business is discussed initially, and it is followed by complications involved. Further, the writer elaborates on the reasons which cause multinational capital budgeting to be more complex than the evaluation of domestic projects, and he clearly demonstrates the steps that need to be followed when evaluating international projects together with the adjustments to incorporate country risks associated with the projects. In the latter part of the section, the writer emphasizes on capital structure decisions and cost of capital of cross boarder investments. The management of long-term assets is discussed prior to the management of long-term liabilities as the financing decision depends on the investment decision in a corporation, and the integration between investment and financing decisions is emphasized.

The final section of the book addresses the management of short-term assets and liabilities by multinational corporations, and it elaborates on various aspects including procedures used by multinational corporations to finance international trade, sources of short-term funds, short term financing decisions, optimization of cash flows and short-term investment decisions. The self-contained nature of each chapter enables the rearrangement of chapters to facilitate learning and discussions. The flow of many chapters has been reorganized in the 13th version of the book to improve readability and several aspects including balance of payments format, manipulation of exchange rates, value at risk and black markets for currencies are also updated.

The book follows a systematic approach where each chapter is presented according to a formal structure which highlights the intended learning outcomes at the beginning together with an introduction to the expanses covered within the chapter. The content of each chapter is logically arranged by elaborating on the complexities upon understanding provided through simple concepts and principles presented at the beginning of each chapter and are remarkably designed to ensure the achievement of the learning outcomes specified at the beginning. Each chapter is finally summarized providing an opportunity to recall the concepts learnt within the chapter. Real world examples, instructive diagrams, self-tests, review questions and case studies provided in each chapter ensure an all-inclusive learning experience to the reader.

The book encourages readers to think beyond the skyline by providing web links and allowing them to explore novel information. Controversial matters are presented in the “Point/ Counter-point” section together with opposing arguments, which helps to enhance the critical thinking ability of readers, and it enables them to think out of the box. An incredible feature which familiarizes the reader with practical application of the concepts learnt is the “Boardroom discussion” presented in almost all the chapters and it stimulates the reader to think as a board member of a multinational corporation. “Running your MNC”, on the other hand, encourages the reader to assume himself in the role of an entrepreneur to develop his own multinational corporation. Spreadsheet applications are entrenched in the chapters and the author has used these computations to support the reader to easily understand the complex concepts while enhancing analytical skills. Moreover, each section includes an integrated case study covering all the chapters within the section, thus facilitating holistic comprehension.

Following the contemporary tradition of books of similar magnitude, International Financial Management is equipped with a CD which includes study support features to facilitate teaching and learning experience. The CD includes well-prepared PowerPoint presentations on all the chapters, which facilitate effective conveyance and acknowledgement of the content. The model answers provided for review questions and case studies enable readers to improve and substantiate their answers. Further, the several multiple-choice questions included together with the answers empower the readers to comprehend the content discussed within each chapter.

Enriched with all these features, International Financial Management by Jeff Madura is masterfully written, and it is a comprehensive and a highly useful source for lecturers, undergraduates, post-graduates and practitioners to methodically grasp the concepts of Financial Management applications in multinational businesses. More importantly, the book explains the concepts more with a finance flavour than from an economic perspective, thus becoming a promising piece of work for the learners in the field of finance. In every edition of the book is further enriched with current research, developments, trends and emerging issues in the field thereby contributing to generation of new knowledge. Thus, for anyone interested in understanding concepts and theories in international financial management, this book by Jeff Madura can be recommended as an ideal source and a masterpiece.