

# International financial manager (slp 5 bus)

[Profession](#), [Manager](#)



The importance of multinational corporations and the globalization of production are now well recognized. Multinational corporations have become central actors of the world economy and, in linking foreign direct investment, trade, technology and finance; they are a driving force of economic growth. Since the world is reduced to an electronic village and global finance has become a reality, therefore in a contemporary global corporation financial capital is one of the most fungible assets to cross national boundaries. The determinants of the way in which transnational corporation acquire, organize and manage those assets is of critical importance, not only to the success of those corporations, but also to the development and industrial restructuring of nation states. The task of international financial manager is to make the best possible tactical decision that the market has to offer on liabilities, within the strategic funding constraints set by currency denomination, maturity, and capital structure

Almost every firm, government agency, and other type of organizations have one or more financial managers. Financial managers oversee the preparation of financial reports, direct investment activities, and implement cash management strategies. Managers also develop strategies and implement the long-term goals of their organization.

The role of the financial manager, particularly in business, is changing in response to technological advances that have significantly reduced the amount of time it takes to produce financial reports. Financial managers now perform more data analysis and use it to offer senior managers ideas on how to maximize profits. They often work on teams, acting as business advisors to top management. Financial managers need to keep abreast of the latest

computer technology to increase the efficiency of their firm's financial operations.

Duties and responsibilities of a financial manager

The duties of financial managers vary with their specific titles, which include:

1. Controller
2. Treasurer or finance officer
3. Credit manager
4. Cash manager
5. Risk and insurance manager
6. Manager of international banking

A brief description of above is given:

Controllers direct the preparation of financial reports, such as income statements, balance sheets, and analyses of future earnings or expenses.

Controllers also are in charge of preparing special reports required by regulatory authorities. Often, controllers oversee the accounting, audit, and budget departments.

Treasurers and finance officers direct the organization's budgets to meet its financial goals. They oversee the investment of funds, manage associated risks, supervise cash management activities, execute capital-raising strategies to support a firm's expansion, and deal with mergers and acquisitions.

Credit managers oversee the firm's issuance of credit, establishing credit-rating criteria, determining credit ceilings, and monitoring the collections of past-due accounts.

Cash managers monitor and control the flow of cash receipts and disbursements to meet the business and investment needs of the firm. For example, cash flow projections are needed to determine whether loans must be obtained to meet cash requirements or whether surplus cash should be invested in interest-bearing instruments.

Risk and insurance managers oversee programs to minimize risks and losses that might arise from financial transactions and business operations. They also manage the organization's insurance budget.

Manager of international banking develops financial and accounting systems for the banking transactions of multinational organizations. It is also responsible for liaising with multinational clients, developing models, and analyzing data for clients

#### Background

An international financial manager may need many different skills.

Interpersonal skills are important because his job involves managing people as well as multinational clients and working as part of a team to solve problems. They must have excellent communication skills to explain complex financial data. Because financial managers work extensively with various departments in their firm, a broad understanding of business is essential. Financial managers should be creative thinkers and problem-solvers, applying their analytical skills to business. They must be comfortable with the latest computer technology. Financial managers must have knowledge of international finance because financial operations are increasingly being affected by the global economy. Proficiency in a foreign language also may be important. In addition, a good knowledge of compliance procedures is

essential because of the many recent regulatory changes.

#### Approaches To manage foreign risks

A multinational company has to face many risks, especially international or foreign risks and major among these risks is the foreign exchange risk. It is basically the risk of an investments value changing due to changes in currency exchange rates.

An international finance manager plays an important role in the management of foreign exchange risks. For example the company wants to make an international investment and money must be converted to another currency to make a certain investment, then any changes in the currency exchange rate will cause that investments value to either decrease or increase when the investment is sold and converted back into the original currency, international finance manager can take several steps to eliminate this risk.

If company agrees a purchase price in a foreign currency, the cost to the company in pounds sterling could increase if that currency strengthens against the pound. One way to protect from risk is to insist on dealing in pounds, shifting the risk to your supplier. However the supplier is likely to want to increase their prices to reflect this risk, or may be unwilling to deal with you at all on those terms.

Similarly if company wants to place regular orders with a supplier, foreign exchange risk may be eliminated for longer by agreeing a fixed price contract, or arranging medium-term foreign exchange protection. At some point, however, the manager may need to look for alternative suppliers. Its worth keeping up to date with whats available elsewhere.

For an international finance manager when managing foreign exchange risks, several points are worth keeping in mind:

1. Focusing attention on risks which have a material impact on the expected value and systematic risk of the firm to shareholders.
2. Measuring the risks accurately, recognize any potentially offsetting effects in costs, revenues, quantities, or pass-through, and take into account offsetting movements in exchange to other currencies.
3. Applying appropriate measures to eliminate the risk.

#### References

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2. Jeff Madura, *International Financial Management*, 2006
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