



## LIST OF CHANGES

# International Financial Management

10th Edition

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The 10th edition now includes discussion on topics such as political risk, climate change, Covid pandemic, cryptocurrencies, European 'fiscal integration', Central Bank Digital Currency, Foreign activist shareholders and corporate governance, FX Risk Management Practices, Termination of LIBOR, Empirical Findings on Expropriations Updated End-of-Chapter problems, mini-cases, and International Finance in Practices throughout the text New Guided Examples have been added in Connect Refreshed inclusive content guidelines were implemented to eliminate any generalizations and stereotypes around gender, abilities/disabilities, race/ethnicity, sexual orientation, diversity of names, and age. In addition, best practices in assessment creation were employed to eliminate cultural, cognitive, and affective bias. More diverse voices were also involved in the review and creation of the content.

## Take your students higher.

McGraw Hill Connect® is a complete course platform. It helps you deliver cohesive learning experiences through structured content and interactivity. When students engage with Connect, their individual needs become clear. This enables you to assign coursework, aligned to the levels of Bloom's Taxonomy, that keeps your students moving forward on their unique learning path from foundational cognitive skills to higher-order thinking and application. The chart below shows how each asset type aligns to Bloom's Taxonomy.

LOWER  HIGHER

ASSET	DESCRIPTION	REMEMBER	UNDERSTAND	APPLY	ANALYZE	EVALUATE	CREATE
SmartBook 2.0	Our adaptive reading experience has been made more personal, accessible, productive, and mobile.	✓	✓				
Algorithmic Problems	Algorithmic problems are auto-graded exercises using different numeric values each time a problem is served up to the student. This gives students practice in working a problem several times -- same question, but different numbers each time. This also deters cheating because each student in a class or lab receives a slightly different version of the problem and correct answer.	✓	✓				
New Guided Examples Videos	Narrated videos created by the authors provide step-by-step walkthroughs of algorithmic versions of assigned problems in Connect, providing immediate feedback and focus on the areas where students need the most guidance. This allows students to identify, review, or reinforce the concepts and activities covered in class.	✓	✓	✓			
Kaplan CFA Questions	McGraw Hill has partnered with Kaplan Schweser to provide over a thousand additional sample CFA questions for the CFA exams. These questions represent the kinds of questions that professionals in the field believe are relevant to the "real world." Located in Connect, this bank of assignable questions is sorted by topic and level.	✓	✓	✓	✓	✓	
End of Chapter Content	Connect Finance helps students learn more efficiently by providing feedback and practice material when they need it, where they need it. Our assignable, gradable end-of-chapter content helps students learn to solve problems and apply the concepts in finance. Algorithmic versions allow students to practice problems as many times as they need, to ensure that they fully understand each problem.	✓	✓	✓	✓	✓	

## Connect Platform-Wide Updates

- **NEW!** Updated instructor experience provides a simplified dashboard, quicker and easier access to information you need with fewer clicks. Newly optimized for mobile usage and with accessibility enhancements, pages are now screen-reader compatible, key board navigable, and allow for up to 400% magnification.
- **NEW!** Co-instructor privileges are now available. Instructors can easily add instructors to any section.
- **NEW!** Writing Assignment has the option to assign a peer review, including the ability to set the number of peer reviews, automatic assigning after the draft due date, and anonymous peer commenting.
- **NEW!** Increased maximum points to 2,000 points for an individual question or assignment.
- **NEW!** Streamlined integration with your Learning Management System (LMS). The new LTI Advantage integration allows for easier section pairing, automatic account creation for new users, improved visibility into grade sync features, automatic relinking, and better security.
- **NEW!** Polling Tool is now available as a resource in Connect.
- More mobility. Free download the ReadAnywhere® App and Connect tablet app allows students full access to their Connect course to complete assignments, read their eBook, and check grades—just like they would on a laptop browser.
- Accessibility enhancements ensure new content and technology follows the WCAG version 2.1 AA guidelines and best practices. Some examples of enhancements include a compliant click-and-drag question type in the Question Bank, alt descriptions added to eBook for screen reader users, increased accessibility to presentation PowerPoints, and read-aloud functionality in SmartBook 2.0. For further information regarding McGraw Hill accessibility, please contact us at [accessibility@mheducation.com](mailto:accessibility@mheducation.com).
- World-class reliability with 99.9% platform uptime.
- Option for students to purchase a loose-leaf version of the text at a significant discount with free shipping.
- Partnership with the Online Learning Consortium (OLC) provides an even higher level of expertise and support when transitioning your course.



# Chapter-by-Chapter Changes

## Chapter 1

- Included political risk as an additional ‘unique’ dimension of international finance.
- Added a discussion of the origin and consequences of political risk using the recent geopolitical events, such as Brexit, Chinese policy pivots, and the Russo-Ukrainian war.
- Added two extra Trends and Developments, i.e., climate change and Covid pandemic, including the physical and financial risks climate change poses to the world and how countries can mitigate and adapt to the effects of climate change via international cooperation, e.g., Paris Climate Agreements. Also included are the economic and financial consequences of the Covid pandemic, such as supply chain disruption, higher inflation, rapid digitization of finance and commerce, and rising inequalities.
- Updated Exhibits 1.1, 1.4, 1.7, and add a new Exhibit 1.6 Covid-19 Shock and Macroeconomic Responses.
- Revised Mini Case: Nike and Sweatshop Labor.
- Added more References.

## Chapter 2

- Added new discussion of the role of cryptocurrencies and El Salvador’s experiment of Bitcoin as its legal tender.
- Added discussion of the prospect of European ‘fiscal integration’ to complement monetary integration. Also, a discussion of Central Bank Digital Currency (CBDC), a hot topic among central bankers around the world.
- Updated Exhibits 2.2, 2.3, 2.4, 2.7, 2.8, and 2.13.

## Chapter 3

- Created a new International Finance in Practice box titled “Squid Game and the Rise of Global Services Trade.” This replaces the previous International Finance in Practice box titled “The Dollar and the Deficit”
- Revised Exhibit 3.1 with the latest U.S. balance of payments data and updated the corresponding discussions throughout the chapter
- Modified and reorganized the discussion of the financial account for improved clarity

- Revised Exhibit 3.4 which depicts the composition of total official reserves, and Exhibit 3.5 which presents the currency composition of the world’s foreign exchange reserves
- Updated Exhibits 3.6 and 3.7 which depict the current and financial account balances of the major economies, and Exhibit 3.8 presenting the top U.S. trading partners
- Added two new EOC problems (Problems 1 and 2) for students to analyze the U.S. current and financial account balances from a previous year
- Added a new mini-case to analyze the trends in China’s balance of payments to replace the mini-case on Mexico’s balance of payments problem
- A new video explaining a balance of payments problem was added.

## Chapter 4

- Replaced the existing International Finance in Practice article by a new article, “What companies are for?”
- Added a new subsection discussing the current issue of shareholder vs. stakeholder capitalism.
- Added a new Mini Case: The Petrobras Scandal.
- Included a discussion of how foreign activist shareholders can enhance corporate governance using Toshiba’s recent experience.
- Created more EOC questions.

## Chapter 5

- Updated Exhibit 5.1 and Exhibits 5.3-5.13 with the latest data on the foreign exchange market and modified the corresponding discussions throughout the Chapter.
- Updated the International Finance in Practice boxes titled “Electronification of the FX Market” and “Chinese Yuan’s Road to Internationalization” to reflect the recent developments
- Revised Examples 5.2-5.4 on computing cross exchange rates and triangular arbitrage profits using the most recent data provided in the revised exhibits
- Revised Examples 5.5-5.7 describing forward premium/discount and speculative forward positions

## Chapter 5 (continues)

- Added EOC Problem 1 for students to practice working with direct and indirect exchange rate quotes, and Problem 14 for students to practice conducting forward market speculation.
- Modified EOC Problem 12 on triangular arbitrage and turned it into a multi-step problem, which is easier to assign in Connect.
- Incorporated a discussion of empirical research on informal currency zones
- Added a discussion about the reported decline in the correspondent banking relationships
- Included empirical research findings on the size of bid-ask spreads
- Added videos on how exchange rates are quoted, cross-rates are computed and videos showing detailed examples of triangular arbitrage problems.

## Chapter 6:

- Updated Exhibit 6.3 on carry trade, Exhibit 6.6 on real effective exchange rates, Exhibit 6.7 on world prices, and Exhibit 6.8 on GDPs measured at PPP exchange rate.
- Updated the International Finance in Practice box on Big Mac Index.
- Included a discussion on carry trade, including how households can effectively become carry traders when they take out mortgages denominated in foreign currencies.
- Modified EOC Problem 2
- Added videos explaining interest rate parity and covered interest arbitrage using detailed examples

## Chapter 7:

- Updated market data throughout Chapter
- Added a discussion on empirical testing of currency options
- Created four new EOC problems
- Added videos describing the daily resettlement of futures contracts and the characteristics of the different positions on call and put options

## Chapter 8

- Extensively revised Exhibit 8.12 and discuss in detail how companies use various financial and operational hedging methods in the real world when they face transaction exposure.
- Created more EOC problems and Mini Case.
- Added a significant number of References.

## Chapter 9

- Added a new International Finance in Practice titled, “The case study: How BMW dealt with exchange rate risk”.
- Updated References.

## Chapter 10

- Reorganized the Chapter, added a section on FASB ASC830, and revised and consolidated the discussions of FASB 8, FASB 52, and FASB ASC830 under a new section called “U.S. GAAP”
- Revised the section on International Accounting Standards and incorporated a discussion about the accounting standards in China
- Included a discussion of a recent survey of FX risk management practices of managers worldwide
- Highlighted the difference between the concept of measuring foreign currency transactions and the concept of translating foreign currency financial statements
- Modified the currency symbols throughout the Chapter for greater clarity and consistency

## Chapter 11

- Updated Exhibit 11.1 listing the world’s largest banks
- Revised the discussion on capital adequacy standards and the Basel III accord
- Included a discussion on the termination of LIBOR as the major reference rate for Eurocurrency deposits
- Introduced the new series of reference rates, known collectively as Alternative Risk-Free Rates, which went into effect for the various Eurocurrencies
- Introduced the Secured Overnight Financing Rate (SOFR) selected as the replacement for USD LIBOR as the benchmark rate for Eurodollar deposits and FRAs

## Chapter 11 (continues)

- CME Group SOFR futures contracts have been introduced as a vehicle for hedging short term USD interest rate risk in Eurodollar positions.
- Updated all associated Eurocurrency exhibits
- Extensively revised and shortened the discussion on the Global Financial Crisis to reflect the passage of time and its less significant bearing on the current global-macro economic environment
- Relocated the In More Depth discussion on MBSs, SIVs, CDOs, and CDSs to appendix
- Updated End-of-Chapter Internet Exercise 1 to highlight using SOFR in pricing Eurodollar loans

## Chapter 12:

- We reorganized sections of the Chapter, including a subsection on the currency distribution, nationality, and type of issuers, to improve the content flow
- Updated Exhibits 12.1-12.4 and 12.9-12.11 to provide a detailed overview of the world's bond markets using the most recent data and modified the corresponding discussions throughout the Chapter
- Revised the reference rates used in floating-rate notes to reflect the switch from LIBOR to other benchmark rates such as SOFR
- Created a new mini-case called "Alpha Gen Technologies: Panda or Dim Sum Bonds?" for students to compare Chinese-yuan denominated panda and dim sum bonds. This replaces the previous mini case called "Sara Lee Corporation's Eurobonds"
- Added videos explaining the EOC problems.

## Chapter 13

- Updated Exhibits 13.1-13.4, and 13.8 to provide a detailed overview of the world's stock markets using the most recent data and modified the corresponding discussions throughout the Chapter
- Added a discussion describing the trends in the cross-listings of Chinese firms since the 1990s, including the stricter rules imposed recently on Chinese firms listing abroad.
- Modified Exhibit 13.6 for greater clarity
- Revised the discussion of market consolidations and mergers among stock exchanges worldwide
- Modified the discussion on ADRs to improve clarity

- Revised Examples 13.1-13.3 using the latest stock prices of several cross-listed firms
- Expanded and revised the discussion of the factors that influence international equity returns, such as macroeconomic factors, exchange rates, industry factors, and market factors, by summarizing findings from extensive empirical research
- Added a new subsection on market factors

## Chapter 14

- Updated Exhibits 14.1 and 14.2 with the most recent data
- Incorporated the transition from LIBOR to alternative risk-free rates such as SOFR in the discussions and explanations of swaps
- End-of-Chapter problems now use the new reference rates such as SOFR
- Added videos that are guided examples of interest rate and currency swaps

## Chapter 15

- Updated Exhibits 15.1, 15.2, 15.4, and 15.5 to present characteristics of and correlations among major equity markets using the most recent data and modified corresponding discussions throughout the Chapter
- Updated Exhibits 15.6-15.8 to present the composition of optimal international equity portfolios and gains from international diversification
- Reorganized and updated the content on home bias
- Added a new EOC problem
- Added new videos illustrating how to compute the rate of return on foreign investment with and without hedging

## Chapter 16

- Created a new exhibit, Exhibit 16.1, depicting the trends in the FDI outflows and inflows of developed and developing regions
- Updated Exhibits 16.1-16.5, 16.7, 16.9, and 16.12 and discussed the most recent data and trends in global FDI, including cross-border M&As, and political risk
- Added a discussion of empirical findings on expropriations

## Chapter 17

- Updated Exhibits 17.8 and 17.9.
- Provided a more detailed explanation of the International Asset Pricing Model.

## Chapter 18

- Clarified the wording in Example 18.2
- Added a new mini case on evaluating a capital expenditure proposal in a wholly owned foreign subsidiary -- the case addresses methods for calculating and discounting foreign cash flows in calculating the NPV of the project

## Chapter 19

- Clarified the wording in Mini Case 1 on multilateral netting among interaffiliate cash flows

## Chapter 20

- Created a new section to define and summarize the global trade finance market at the beginning of the Chapter, including a discussion of the impact of the COVID-19 pandemic on global trade finance
- Included a new section surveying the export credit agencies worldwide
- Created a new exhibit, Exhibit 20.2, presenting the top 25 countries by export credit volume
- Updated the International Finance in Practice box titled "Export-Import Bank in Limbo" to incorporate the most recent developments

## Chapter 21

- Updated Exhibit 21.1 displaying corporate tax rates around the world
- Updated Exhibit 21.2 displaying U.S. treaty withholding tax rates with selected countries
- Updated Exhibit 21.4 showing foreign tax credit offsets for subsidiary operations using current tax rates
- Eliminated less current International Finance in Practice boxes
- Added a new International Finance In Practice box providing perspective on the use of tax havens by MNCs to divert income from higher tax jurisdictions via transfer pricing
- Added a new section discussing the 2021 global deal formally endorsed in Rome by 136 of 139 participating G-20 countries in conjunction with the OECD to establish a minimum corporate tax rate of 15 percent
- Updated the two end-of-Chapter internet exercises