

Assignment 1

International Financial Management

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INTRODUCTION

International financial management which is likewise referred as international finance involves the management and control of the finances in the international business environment which trades and exchanges money with the help of exchanging the foreign fiscal currencies. The primary focus of this report is based on critically analysing the importance and effectiveness of international financial management as a concept (Biersteker, 2019). It will also explain the dividend distribution policies in today's environment based on the global organisation Unilever and how this concept assisted the company to grow and expand its reach in the international markets.

MAIN BODY

1. Critically examine and assess the importance of international financial management (IFM) to Unilever.

Unilever Plc is a multinational consumer goods organisation that supplies fast moving consumer goods. Its product collection include savoury, dressings and spread; ice cream and beverages; personal care, and home care. In context of Unilever, International financial management plays a very crucial and critical role to assist the organisation establish in several different countries to expand its working. International financial management assist the organisation of Unilever in maximisation of shareholders wealth as well as creating well defined opportunities even for the company stakeholders. As the proper management of international finances helps the company to attain for a stable and development opportunities environment in the markets all over the world. It helps to generate effectiveness and efficiency which assists the company to sustain in a better way in the foreign markets. Unilever as an organisation is driven to invest capital in foreign countries for acquiring the necessary raw materials that are required for production purposes (Dzhusov and et.al., 2019). It also want to diversify the market opportunities and Earn high returns from the investments made with the crucial factor of cheap labour in foreign countries. The major reason which influences companies like Unilever for capital investments outside the country is the fact that they are able to produce their products more effectively as compared to their domestic nations.

2. Examine and evaluate the dividend distribution policy of Unilever as a multinational organisation.

A dividend is the payment which is given to the company shareholders in return of their share capital. It is that component of the company's profits which is dispersed in between the company shareholders on the basis of the resolution passed in the meeting conducted among the company's board of directors (Hacioglu and Aksoy, 2021). Dividend can be both fixed or variable based on the company's policies as it may be a fixed percentage on the share capital or a fixed rate per share. A dividend policy is a plan of action which is utilised by the companies to construct the pattern of dividend payout to its shareholders. It is concerned with financial policies related to the cash dividends distributed by the companies which is paid either in the present situation or in the future period but with increased amount of value. Although there are some researchers who believe that this policy is of no use as investors who have their shares or portfolio in companies sell upon their portions if there occurs any emergency need for funds. The main objective of dividend policy is the betterment of the fiscal health of the organisation. This objective also accounts for thinking about the shareholder's wealth as the shareholder of the organisation have a very crucial part in the growth and development of the company.

Dividend Distribution Policy of Unilever

Unilever pays a dividend 4 times a year. Payment months are March, June, September, December. Reported on the basis of the most recent data as of July 2022, Unilever has paid dividends summing up to approximately 1.73 USD per share in the last 12 months. At the current stock price of 46.30 USD, this corresponds to a dividend yield of 3.73%. The formula used to calculate Unilever's dividend yield is: $1.73 \text{ USD} \div 46.30 \text{ USD} * 100 = 3.73\%$. Unilever has increased its dividend payout by 6.87% annually in the last 10 years of its working. Although, it did not increased its dividend for the last year. In the 5-years of its work period, the pay-out inflated by 3.88%. The payout ratio supported upon the free cash flow is around 65.6% (Oussii and Klibi, 2020).

On the basis of its earnings, Unilever disperses 72.9% to all its shareholders. The performance metric of the company which determines the dividend reliability is 0.98 out of the total of 10. This presents Unilever as one of the most trusted and reliable dividend payer companies in the past. Moreover, various experts have anticipated a -2.03% decrease in its dividends in the current financial year. With the high dividend yield of 3.73% on paper (True and Svedberg, 2019).

Irrelevance and relevance theory of dividend Policy

1. Irrelevance of Dividend:

According to the Irrelevance Theory of Dividend, the market price of shares is unaffected by the dividend policy. The payment made for the dividend does not change the existing shareholders' wealth because the payment which is given to the shareholders for the dividend reduces the cash balance with the company and hence decreases their share price by that respective amount (Plaskova, Prodanova and Reshetov, 2020).

2. Relevance of Dividend:

According to the Relevance Theory of Dividend, shareholders favour the concept of current dividends and therefore there is an optimistic relation between dividend and the market value. The concept behind this is that investors are mostly risk-averse and hence choose current dividend, giving little value to the future dividends or capital gains.

3. Critically examine the efficient market hypothesis theory for the operations of Unilever as an organisation.

The efficient market hypothesis (EMH) which is also termed as efficient market theory which states that the share prices of the company reflect and describe all the information related to the company and it is almost impossible to trade shares with consistent excess return generation. According to this hypothesis, the stocks trade at their genuine value in the exchanges which makes it nearly impossible to trade the undervalued stocks to be sold at inflated prices. So this makes it impractical to surpass the entire market with selecting any expert stock or market timing and there exists no room for making any additional earnings. The only option left for the investors to get higher returns is by buying on the high risk investments (Podger and de Jong, 2019).

With the assistance of efficient market hypothesis, the market is normally efficient. The theory is given in three different scenarios: weak, semi-strong, and strong.

- Weak: The weak kind of efficient market hypothesis indicates today's stock prices reflect entire data of all the previous prices and also tells that any type of technical analysis can not assist investors.
- Semi-Strong: The semi-strong kind of efficient market hypothesis advocates that since public information is a subset of any stock's current price, it is not possible for the investors to use either technical or fundamental investigation, though information which is unavailable to the normal public can aid investors.
- Strong: The strong kind of efficient market hypothesis advocates that all kinds of information, either public or not public, is entirely reported for the current stock prices, and any form of information can not provide an investor the benefit of additional earnings in the market (Rao and Mishra, 2020).

4. Effectively study and evaluate Unilever's methods of appraising projects.

Performance Appraisal:

It is the strategy which involves investigating, judging and computing the execution level of the employees in completing the tasks assigned is analysed and evaluated. The evaluation of the workers in Unilever is highly based upon the measurement which involves evaluating the genuine work results and capacity of the worker and analysing the future capableness of the representative to measure and effectively appraise the performance.

Workers performance appraisal is crucial to the organisation to execute the goals of the business concern. It is the responsibility of every organisation to provide rightful create for and improve the competence of the organisational employees (Setiana and Hadianito, 2022).

The steps involved in Unilever performance appraisal of the employee's are:

1. Establishing relevant performance standards.
2. Setting up mutually established and measurable goals for the company.
3. Computing and measuring the actualised employee's performance.
4. Comparison of the actual performance and results of employees with the standards already set (Stewart, Sengupta and Al-Shaikhly, 2019).
5. Discussing and talk about the appraisals with the employees.
6. Taking the corrective actions for the same.

CONCLUSION

From the above report, the conclusion can be made that by examination and comparison between the domestic monetary markets and the international financial markets have very diverse profile and analytics. The various factors which affect the international financial markets and are crucial for the company's growth are briefly explained in the above report. The dividend distribution policy and the dividend theories are also acknowledged. The methods of performance appraisals and the factors which are important and the policies through which the performance is evaluated in Unilever has been defined.

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