

ECON6320 International Finance F

Credit weight: 0.5

General Course Information

Instructor: Vitali Alexeev

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Office Location MacKinnon bldg., 7th floor
Office Hours TBA
Department/School Economics and Finance

TA's ...

Email ...
Office Location ...
Office Hours ...

Class Schedule: Mondays and Fridays, 1pm-2:20pm, schedule may be subject to change upon discussion with students in the first week of lectures.

Pre-requisites: ...

Co-requisites: ...

Course Description

Most businesses operate in global financial markets, and very few facets of financial management are as important as managing exchange rate risk. This course is designed to provide you with the skills necessary to understand and address some of the multi-faceted issues of international financial management, with a key focus on understanding exchange rate behaviour, factors influencing exchange rates, forecasting and managing exchange rate risk. Techniques will be studied and applied from various fields including financial management, macroeconomics, corporate finance and investment theory.

An interest in economics, finance, international business and affairs. Basic Excel skills (more specifically Data Analysis add-in) are required. Basic understanding of simple regression model is desirable. For students who are not familiar with the Data Analysis add-in for Excel, a short introduction and an example will be given during the class.

Indicative Content

All Chapter references to readings refer Multinational Business Finance, 13th Edition, by David K. Eiteman, Arthur I. Stonehill, Michael H. Moffett.

Lecture #	Lecture	Assessment/Task
Lecture 1 Sep 8	Course Overview, Globalisation, Multinationals, Current Multinational Challenges and the Global Economy Readings: Ch.1	
Lecture 2 Sep 12	Corporate Ownership, Goals, and Governance Readings: Ch.2	
Lecture 3 Sep 15	The International Monetary System Readings: Ch.3	Assignment 1 is handed out
Lecture 4 Sep 19	The Balance of Payments Readings: Ch.4; Practical: Data sources, working with Datastream	
Lecture 5 Sep 22	The Continuing Global Financial Crisis Readings: Ch.5	
Lecture 6 Sep 26	The Foreign Exchange Market Readings: Ch.6	
Lecture 7 Sep 29	International Parity Conditions Readings: Ch.7; Practical: : Excel Data Analysis add-in	<u>Assignment 1 is due</u>
Lecture 8 Oct 3	<u>Mid-semester Test</u> (covering material from chapters, lectures and handouts during Weeks 1-7)	
Lecture 9 Oct 6	Foreign Currency Derivatives and Swaps Readings: Ch.8	Assignment 2 is handed out
Lecture 10 Oct 10	Foreign Exchange Rate Determination and Forecasting Readings: Ch.9	
Oct 13	Holiday – no class scheduled	
Lecture 11 Oct 17	Transaction, Translation and Operating Exposure Readings: Ch.10,11,12	
Lecture 12 Oct 20	Transaction, Translation and Operating Exposure Readings: Ch.10,11,12	
Lecture 13 Oct 24	International Portfolio Theory and Diversification Readings: Ch.16	<u>Assignment 2 is due</u>
Lecture 14 Oct 27	Foreign Direct Investment and Political Risk Readings: Ch.17	
Lecture 15 Oct 31	International Trade Finance Readings: Ch.20	Assignment 3 is handed out <u>Assignment 3 is due on</u> <u>November 14</u>

Course Assessment

			Associated Learning Outcomes	Due Date/ location
Assessment 1:	15%	<i>Assignment 1</i>	LO1,LO2,LO3	Sep 29
Assessment 2:	15%	<i>Assignment 2</i>	LO2,LO3	Oct 24
Assessment 3:	15%	<i>Assignment 3</i>	LO2,LO3	Nov 14
Assessment 4:	20%	<i>Midterm test</i>	LO1,LO2	Oct 3 during lecture in ROZH109
Assessment 5:	35%	<i>Final Exam</i>	LO1,LO2,LO3	See Academic Calendar for final exam schedule
Total	100%			

Teaching and Learning Practices

Lectures ROZH109

Course Resources

Required Texts:

Multinational Business Finance, 13th Edition, by David K. Eiteman, Arthur I. Stonehill, Michael H. Moffett . More information is available at <http://www.mypearsonstore.com/bookstore/multinational-business-finance-9780132743464?xid=PSED>

Students are advised to consider eBook version as it is significantly cheaper than the printed one.

Recommended Texts:

The following text books are also excellent choices. They are listed in the order of most helpful and most suitable addition to the main text prescribed above.

1. Madura, J 2012, *International financial management*, 11th edn, South-Western CENGAGE Learning, Cincinnati, Ohio. ISBN-13 978-0-538-48296-7.
2. Shapiro, AC 2010 (or newer), *Multinational financial management*, 9th edn, Wiley, Hoboken,NJ. *This is an excellent book, with many examples, graphs, and practice problems.*
3. Bekaert, G. and Hodrick, 2009 (or newer), *International Financial Management*, Pearson, Upper Saddle River, NJ. *It has many additional tables, graphs and case studies as well as examples and problems to complement the texts above.*
4. Eun, C. and Resnick, B., 2012 (or newer), *International Financial Management*, McGraw Hill, 6th edition, New York. *This is the all-time classic, written by the best specialists in the field.*

Other Resources:

Other relevant resource will be posted on course website as the course progresses.

Course Policies

Grading Policies

Please submit your assignments in class prior to the start of the lecture on the day specified in the course schedule found below. Late penalties will be applied for late submissions up to 5 days late. Assignments more than 5 days late will not be admitted. Late penalty is 10% for each day being late.

<https://www.uoguelph.ca/registrar/calendars/graduate/2014-2015/genreg/genreg-as-gradeint.shtml>

Please note that these policies are binding unless academic consideration is given to an individual student.

Course Policy regarding use of electronic devices and recording of lectures

Recordings of classes are permitted. However, they are solely for the use of the authorized student and may not be reproduced, or transmitted to others, without the express written consent of the instructor.

University Policies

Academic Consideration

When you find yourself unable to meet an in-course requirement because of illness or compassionate reasons, please advise the course instructor in writing, with your name, id#, and e-mail contact. See the academic calendar for information on regulations and procedures for

Academic Consideration: <https://www.uoguelph.ca/registrar/calendars/graduate/2014-2015/>

Academic Misconduct

The University of Guelph is committed to upholding the highest standards of academic integrity and it is the responsibility of all members of the University community, faculty, staff, and students to be aware of what constitutes academic misconduct and to do as much as possible to prevent academic offences from occurring.

University of Guelph students have the responsibility of abiding by the University's policy on academic misconduct regardless of their location of study; faculty, staff and students have the responsibility of supporting an environment that discourages misconduct. Students need to remain aware that instructors have access to and the right to use electronic and other means of detection. Please note: Whether or not a student intended to commit academic misconduct is not relevant for a finding of guilt. Hurried or careless submission of assignments does not excuse students from responsibility for verifying the academic integrity of their work before submitting it. Students who are in any doubt as to whether an action on their part could be construed as an academic offence should consult with a faculty member or faculty advisor.

The Academic Misconduct Policy is detailed in the Graduate Calendar:

<https://www.uoguelph.ca/registrar/calendars/graduate/2014-2015/>

Accessibility

The University of Guelph is committed to creating a barrier-free environment. Providing services for students is a shared responsibility among students, faculty and administrators. This relationship is based on respect of individual rights, the dignity of the individual and the University community's shared commitment to an open and supportive learning environment. Students requiring service or accommodation, whether due to an identified, ongoing disability or a short-term disability should contact the Centre for Students with Disabilities as soon as possible.

For more information, contact CSD at 519-824-4120 ext. 56208 or email csd@uoguelph.ca or see the website: <http://www.csd.uoguelph.ca/csd/>

Course Evaluation Information

Please refer to: <https://www.uoguelph.ca/economics/course-evaluation>

Drop date

The last date to drop one-semester courses, without academic penalty, is October 31st, 2014. For regulations and procedures for Dropping Courses, see the Academic Calendar:

<https://www.uoguelph.ca/registrar/calendars/graduate/2014-2015/>

Intended Course Learning Outcomes and Generic Graduate Attributes

Learning Outcomes (LO) <i>On completion of the course, you will learn to:</i>	Assessment Criteria <i>In assessing this LO I will look at your ability to:</i>	Assessment Methods <i>This LO will be assessed in the course in:</i>	Graduate Attributes <i>Achieving this LO will contribute to the development of your:</i>
<p>LO1: Analyse the interaction between the real economy and financial markets.</p>	<ul style="list-style-type: none"> • Discuss the nature and benefits of globalisation. • Appreciate the scope, complexity and importance of international financial markets. • Identify and interpret the relationship between global and domestic macroeconomic variables and short- and long-term exchange rate movements. • Explain the motives and forms of central bank interventions. • Distinguish between the current account, the financial account, and the official reserves account and describe the links among these accounts. Calculate a nation's balance of payment accounts. 	<p>Assignment no 1 Mid-term test Final examination</p>	<p><u>Knowledge:</u> Extensive functional knowledge of finance and international economics and the ability to transfer this knowledge to complex economic/finance issues and transmit this knowledge to professional peers for critical discussion.</p> <p><u>Communication:</u> Oratory and thinking skills that enable participation in critical economic and finance discussions and the ability to defend a position. Enhance your written communication and presentation skills to clearly articulate evaluations and the implications of utilising economic and finance theories and analysis, in a manner appropriate to audience needs.</p>
<p>LO2: Explain and analyse the role of international conditions on financial markets and multinational corporate behaviour.</p>	<ul style="list-style-type: none"> • Assess basic theories of exchange rate determination and their significance for international capital market equilibria. <ul style="list-style-type: none"> ✓ Identify the basic factors affecting exchange rates in a floating exchange rate system and estimate their influence. ✓ Calculate the amount of currency appreciation or depreciation associated with a given exchange rate change. • Examine factors affecting international flows of funds from trade, investment and speculation. • Identify key financing arrangements for facilitating international trade and investment amongst multinationals. <ul style="list-style-type: none"> ✓ Describe trends and differences in corporate financing patterns around the world. ✓ Identify the external financing options available to the multinational corporations. ✓ Explain why firms may choose to raise capital overseas. • Analyse how basic financial decisions on asset and liability management are made by multinational corporations operating in international financial markets. <ul style="list-style-type: none"> ✓ Assess the primary functions associated with the use of the basic trade-financing instruments and explain from the standpoint of an exporter the (dis)advantages associated with each means of arranging payment. ✓ Identify key factors associated with developing an overseas financing strategy. • Explain the role of risk in international financial markets. <ul style="list-style-type: none"> ✓ Highlight the importance of risk management in international finance. ✓ Outline and calculate foreign exchange risk exposures. ✓ Describe and apply risk hedging techniques such as using financial market derivatives to reduce foreign exchange risks. 	<p>Assignment no 1 Mid-term test Assignment no 2 Assignment no 3 Final examination</p>	<p><u>Problem-solving:</u> The ability to critically evaluate economic and finance theories and apply them to real world problems. The ability to locate, analyse, evaluate and effectively use information from and in a range of mediums and formats.</p> <p><u>Global perspective:</u> The ability to use economic and finance knowledge and theories to evaluate decision making in the global economic environment, analyse the increasing interconnected nature of financial markets.</p> <p><u>Social responsibility:</u> An awareness and consideration of the public interest in economics and finance practices, policy development and decision making.</p>
<p>LO3: Communicate finance in oral and written formats.</p>	<ul style="list-style-type: none"> • Prepare a case study and critical discussion on current real world finance issues. • Assess and debate basic theories of international finance through case studies. 	<p>Assignment no 1 Assignment no 2 Assignment no 3 Final examination</p>	

