

FIN 571 – 81E
International Business Finance
Fall 2017
Wednesday 6:15 – 8:55 p.m.

Instructor: Dr. Celine Hoe
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Office Hours: Monday & Tuesday 12:00 p.m. – 2:00 p.m. (Commerce Campus)
Wednesday 5:00 p.m. – 6:00 p.m. (UCD Campus)

I. Course Description

The scope and content of international finance have been fast evolving due to the deregulation of financial markets, product innovations, and technological advancements. As capital markets of the world are becoming more integrated, a solid understanding of international finance has become essential for effective corporate decision making and risk management. We will study three major areas that set international financial management apart from domestic corporate finance, namely, (i) foreign exchange and political risks, (ii) market imperfections, and (iii) expanded opportunity set. Students will be introduced to international finance by means of looking at how firms and governments inter-react with these markets. The course will emphasize the link between theory and applications.

II. Prerequisite

FIN 504, Financial Management, or consent of instructor.

III. Course Objectives

Upon the successful completion of International Business Finance, students should be able to perform the following tasks:

1. Students will be able to **apply** knowledge of the interconnectedness of global dynamics.
 - An understanding and application of concepts and tools of exchange rate risk management for a multinational enterprise with ability to measure financial decisions in a risk/return environment as related to global business.
2. Students will be able to analyze exchange rate behavior and the equilibrium theories.

IV. Required Course Materials

1. International Financial Management, 12th edition, Jeff Madura, South-Western Cengage Learning (ISBN: 0-538-48296-6)
2. Financial Calculator: Texas Instruments BAII Plus calculator or comparable (not alpha programmable). For free guidebook/reference of TI BAII+, see:
http://education.ti.com/guidebooks/financial/baiipluspro/BAIPLUSPROGuidebook_EN.pdf or http://movies.atomiclearning.com/k12/ti_ba2/

V. Recommended Reading

Wall Street Journal, Financial Times, The Economist

VI. Policies and Procedures

The student is responsible for all material covered and all information disseminated when he/she misses a class or arrives late.

Email Use

The best way to communicate with me outside of class is by email. You should expect a response to your emails within 24 hours during regular business hours on weekdays. **You have to send emails from your myLeo accounts.**

Attendance

Daily attendance will be taken. Students are allowed to miss classes without penalty only for legitimate and verifiable reasons. You have to contact me before the class meeting time. Any other absences will deduct 1 point of your final grade (See the Grading Section).

Exams

There will be three exams, including two midterm exams and a MANDATORY FINAL exam. The exams will be closed book and closed notes (formula sheets allowed). Students should bring a financial calculator to the exams. Sharing of calculators and the use of a laptop or any other electronic device will not be allowed during an exam.

There will be no makeup exams. If you have to miss an exam because of an excusable and verifiable reason, you must contact me before the exam. Failing to do so or failing to provide documentation of the reason for absence from a medical doctor or TAMU-Commerce official will result in a grade of zero on the exam. **If I were to excuse you from an interim exam, the weight of the missed exam will be added to the weight of the final exam. Regardless of the excuse, if you miss two exams you will automatically fail the class.**

International Fisher Effect Case Projects

The case assignments will cover broad applications of IFE on managing exchange rate risk encountered by a multinational corporation, including but not limited to the transaction exposure, the economic exposure and the translation exposure. Upon completion of application analyses, students will better understand the underpinnings of International Fisher Effect (IFE).

Currency Trading Project

The details of the project will be announced during the semester.

Homework

End of chapter questions & problems and other questions & problems will be assigned as homework. You do **not** have to submit the solutions. To enhance learning, you should devote some time to these assignments. Some (but not all) of the problems on the exams will be similar to the problems in these homework assignments.

Solutions to homework problems will be available in DocSharing.

Grading

No assignment for extra credit will be given to any individual student. For grading purposes, the following weights will be assigned:

Class Attendance/Participation	6%
IFE Case Assignments	15%
Mid-term examination I	24%
Mid-term examination II	24%
Final examination	31%

and letter grades applied as follows:

90 – 100	A
80 - 89.99	B
70 - 79.99	C
60 - 69.99	D
0 - 59.99	F

NOTE: All cell phones must be turned off and out of sight during class. **A student with a visible cell phone or other electronic device other than a stand-alone calculator during an exam will not be allowed to complete the exam and will receive a grade of zero for the exam. Anyone late to class 15 minutes or more (including final exam) will not be allowed to take the exam.**

Below are guidelines that help to explain how student work is evaluated:

Criteria (Course Objectives)	1 (Unsatisfactory)	2 (Emerging)	3 (Proficient)	4 (Exemplary)
Demonstrate an understanding of mechanism and functions of the international financial environment.	Student cannot demonstrate an understanding of any of mechanism and functions of the international financial environment.	Student can demonstrate an understanding of some of mechanism and functions of the international financial environment.	Student can demonstrate an understanding of most of mechanism and functions of the international financial environment.	Student can demonstrate an understanding of all of mechanism and functions of the international financial environment.
Demonstrate an understanding of exchange rate behavior and the equilibrium theories.	Student cannot demonstrate an understanding of exchange rate behavior or the equilibrium theories.	Student can demonstrate an understanding of exchange rate behavior but none of the equilibrium theories.	Student can demonstrate an understanding of exchange rate behavior and some of the equilibrium theories.	Student can demonstrate an understanding of exchange rate behavior and all of the equilibrium theories, and can identify arbitrage opportunities.
Demonstrate an understanding of concepts and tools of exchange rate risk management for a multinational enterprise.	Student cannot demonstrate an understanding of concepts and tools of exchange rate risk management for a multinational enterprise.	Student can demonstrate an understanding of some of the concepts and tools of exchange rate risk management for a multinational enterprise.	Student can demonstrate an understanding of all of the concepts and tools of exchange rate risk management for a multinational enterprise.	Student can demonstrate an understanding of all of the concepts and tools of exchange rate risk management for a multinational enterprise and display application ability.
Demonstrate an understanding and show ability to measure financial decisions in a risk/return environment as related to global business.	Student cannot demonstrate an understanding of these processes or their measurement.	Student can demonstrate an understanding of these processes but not their measurement.	Student can demonstrate an understanding of some of these processes and their measurement.	Student can demonstrate an understanding of all of these processes and their measurement and display application ability.

VII. Progression of Course

This agenda is subject to change. The exact timing of lectures and content of exams will depend

on the flow of the course. I EXPECT ALL STUDENTS TO HAVE READ ALL ASSIGNED MATERIAL BEFORE CLASS.

Theme: The International Financial Environment

Week 1, August 30
Chapter 1 – Multinational Financial Management

Week 2, September 6
Chapter 2 – International Flow of Funds

Week 3, September 13
Chapter 3 – International Financial Markets

Week 4, September 20
Chapter 4 – Exchange Rate Determination
Review

Week 5, September 27
Exam 1: Ch 1, 2, 3, 4 (Class Meeting Time; In-Class Exam)

Week 6, October 4
Chapter 5 – Currency Derivatives
Chapter 6 – Government Influence on Exchange Rates

Theme: Exchange Rate Behavior

Week 7, October 11
Chapter 6 – Government Influence on Exchange Rates
Chapter 7 – International Arbitrage and Interest Rate Parity

Week 8, October 18
Chapter 7 – International Arbitrage and Interest Rate Parity
Chapter 8 – Relations among Inflation, Interest Rates and Exchange Rates

Week 9, October 25
Chapter 8 – Relations among Inflation, Interest Rates and Exchange Rates
Review
*Distribute IFE Case Assignment I

Week 10, November 1
Exam 2: Ch 5, 6, 7, 8 (Class Meeting Time; In-Class Exam)

Theme: Exchange Rate Risk Management

Week 11, November 8
Chapter 10 – Measuring Exposure to Exchange Rate Fluctuations
Chapter 11 – Managing Transaction Exposure
*Distribute IFE Case Assignment II

Week 12, November 15
Chapter 11 – Managing Transaction Exposure

Chapter 12 – Managing Economic Exposure and Translation Exposure
*Distribute IFE Case Assignment III

Theme: Long-Term Asset and Liability Management

Week 13, November 22

Thanksgiving Holidays

Assigned Readings - Chapter 12 – Managing Economic Exposure and Translation Exposure
Case Assignments Due Through eCollege DropBox by 11:59PM, November 28

Week 14, November 29

Chapter 12 – Managing Economic Exposure and Translation Exposure
Chapter 13 & 16 – Direct Foreign Investment & Country Risk Analysis

Week 15, December 6

Chapter 13 & 16 – Direct Foreign Investment & Country Risk Analysis
Chapter 17 – Multinational Capital Structure and Cost of Capital
Review

Week 16, December 13

**Final Examination – Ch10, 11, 12, 13, 16 & 17 Plus IRP (including Covered Interest Arbitrage),
PPP, IFE and Triangular Arbitrage Covered in Exam 2 (Class Meeting Time; In-Class Exam)**

VIII. Other Information

You shall start studying early in the course, well before the test/exam, to give yourself a head start in learning the material. When you don't understand course material, ask questions either in class, during office hours or by email. You will not get good grades if you wait until a week or couple of days before the test/exam to start studying.

Syllabus Addendum

Academic Integrity/Ethics:

Integrity will be stressed throughout the course. Refer to Student's Guide Book located at for the University policy on academic honesty:

www.tamu-commerce.edu/studentlife/guidebook.htm

All students enrolled at the University shall follow the tenets of common decency and acceptable behavior conducive to a positive learning environment.

You are expected to maintain high standards of integrity and honesty while pursuing your academic goal(s). The university's statement on academic honesty is found in the Texas A&M University-Commerce Procedures, A13.12, Academic Honesty. Academic dishonesty is defined in the following manner:

"Academic dishonesty includes, but is not limited to, plagiarism (the appropriation or stealing of the ideas or words of another and passing them off as one's own), cheating on exams or other course assignments, collusion (the unauthorized collaboration with others in preparing course assignments), and abuse (destruction, defacing, or removal of resource material.)"

Your grade is to reflect your work alone, and likewise, your classmates' grades are to reflect their work alone, and not yours. *Students found to have committed academic dishonesty will automatically receive a failing grade for the course and will be referred to Dean of the College of Business and Technology for possible expulsion from the program.* All students enrolled in this course are required to sign and submit an Academic Honesty Policy form during the first week of the course.

Nondiscrimination Statement:

A&M-Commerce will comply in the classroom, and in online courses, with all federal and state laws prohibiting discrimination and related retaliation on the basis of race, color, religion, sex, national origin, disability, age, genetic information or veteran status. Further, an environment free from discrimination on the basis of sexual orientation, gender identity, or gender expression will be maintained.

Students with Disabilities:

The Americans with Disabilities Act (ADA) is a federal anti-discrimination statute that provides comprehensive civil rights protection for persons with disabilities. Among other things, this legislation requires that all students with disabilities be guaranteed a learning environment that provides for reasonable accommodation of their disabilities. If you have a disability requiring an accommodation, please contact:

Office of Student Disability Resources and Services

Texas A&M University-Commerce

Gee Library

Room 132

Phone (903) 886-5150 or (903) 886-5835

Fax (903) 468-8148

StudentDisabilityServices@tamuc.edu

Drop Policy:

See University drop policy.

Campus Concealed Carry:

Texas Senate Bill - 11 (Government Code 411.2031, et al.) authorizes the carrying of a concealed handgun in Texas A&M University-Commerce buildings only by persons who have been issued and are in possession of a Texas License to Carry a Handgun. Qualified law enforcement officers or those who are otherwise authorized to carry a concealed handgun in the State of Texas are also permitted to do so. Pursuant to Penal Code (PC) 46.035 and A&M-Commerce Rule 34.06.02.R1, license holders may not carry a concealed handgun in restricted locations. For a list of locations, please refer to (<http://www.tamuc.edu/aboutUs/policiesProceduresStandardsStatements/rulesProcedures/34SafetyOfEmployeesAndStudents/34.06.02.R1.pdf>) and/or consult your event organizer). Pursuant to PC 46.035, the open carrying of handguns is prohibited on all A&M-Commerce campuses. Report violations to the University Police Department at 903-886-5868 or 9-1-1.