

FIN 571 – 3SE
International Business Finance
Fall 2019
Wednesday 6:15 – 8:55 p.m., ELCOP207

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Office Hours: Wednesdays 1:00 p.m. – 4:00 p.m. Or by appointment.

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: 9781133947837)

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. **Please put your course number “FIN571 3SE” in the subject.** 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 calculator (**a financial calculator or a non-scientific 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).

D2L Assignments

There will be assignments posted in D2L every week or every other week. They will be multiple choice questions. You will receive a notification email when each assignment is posted. You will complete each assignment through D2L by the due date. You will be given sufficient time to complete the assignment. The purpose of the assignments is to help you review the materials learned every week or every other week.

Assigned End-of-Chapter Questions & Problems and Other Extra Practice Questions & Problems

There will be end of chapter questions & problems and other questions & problems assigned as homework. **You do not have to submit the solutions. Solutions to these homework problems will be available in D2L.** 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.

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%
D2L Assignments	10%
Mid-term examination I	21%
Mid-term examination II	21%
Final examination	27%

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.**

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 28

- Chapter 1 – Multinational Financial Management
- Chapter 2 – International Flow of Funds

Week 2, September 4

- Chapter 2 – International Flow of Funds
- Chapter 3 – International Financial Markets

Week 3, September 11

- Chapter 3 – International Financial Markets; Part of Chapter 5 – Currency Derivatives

Week 4, September 18

- Chapter 4 – Exchange Rate Determination I
- Review

Week 5, September 25

Exam 1: Ch 1, 2, 3, and Ch4 part I (Class Meeting Time; In-Class Exam)

The syllabus/schedule are subject to change.

Week 6, October 2
Chapter 4 – Exchange Rate Determination II
Chapter 5 – Currency Derivatives (Remaining Parts)
Extra Readings Assigned

Theme: Exchange Rate Behavior

Week 7, October 9
Chapter 7 – International Arbitrage and Interest Rate Parity

Week 8, October 16
Chapter 7 – International Arbitrage and Interest Rate Parity
Chapter 8 – Relations among Inflation, Interest Rates and Exchange Rates

Week 9, October 23
Chapter 8 – Relations among Inflation, Interest Rates and Exchange Rates
Chapter 6 – Government Influence on Exchange Rates I
Review

Week 10, October 30
Exam 2: Ch4 part II, Ch 5 (remaining parts), 7, 8, and Ch6 part I (Class Meeting Time; In-Class Exam)

Theme: Exchange Rate Risk Management

Week 11, November 6
Chapter 6 – Government Influence on Exchange Rates II
Chapter 10 & 11 Measuring Transaction Exposure and Managing Transaction Exposure
Extra Readings Assigned
*Distribute IFE Case Assignment

Week 12, November 13
Chapter 11 – Managing Transaction Exposure
Chapter 10 & 12 – Measuring Economic Exposure and Managing Economic Exposure
Extra Readings Assigned
*Distribute IFE Case Assignment III

Theme: Exchange Rate Risk Management & Long-Term Asset and Liability Management

Week 13, November 20
Chapter 10 & 12 – Measuring Translation Exposure and Managing Translation Exposure
Chapter 13 Direct Foreign Investment
Extra Readings Assigned
Case Assignments Due Through D2L by 11:59PM, November 24

Week 14, November 27
Thanksgiving Holidays

Week 15, December 4
Chapter 13 & 16 – Direct Foreign Investment & Country Risk Analysis
Review

Week 16, December 11

Final Examination – Ch6 part II, Ch10, 11, 12, 13, 16 Plus IRP (including Covered Interest Arbitrage), PPP, IFE, Triangular Arbitrage, and Locational 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/3>)

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4.06.02.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.