

FIN 340 / BFIN 3355: INTERNATIONAL FINANCIAL MANAGEMENT

COURSE DATES: FALL 2019, PROFESSOR: SUSAN HUME PH.D.

EMAIL ADDRESS: HUME@TCNJ.EDU

OFFICE ADDRESS: EUROPEAN STUDY CENTER

COURSE DESCRIPTION AND OBJECTIVES

This course provides a global approach to financial management. Topics include: International financial markets and banking, financial structure in global markets; managing exchange rate risks and hedging; international capital budgeting; international arbitrage and parity.

Course Prerequisites: Fundamentals of Financial Methods FIN201.

COURSE PURPOSE

Today's firms, investors, and governments operate in a global environment where foreign exchange rates can be volatile, and technology makes the financial markets worldwide more integrated. Multinational corporations (MNC) play a large role in the world economy today and assist in the development of emerging countries. Emerging from the global financial crisis has a lasting impact on the global economy, and businesses today. Market imperfections - such as country-tax differences, government restrictions on capital flows, regional economic unions and trade tariffs - drive MNC investment. Considering these events, we focus this course on the multidimensional financial management of the MNC.

The primary goals of this course are to examine and analyze financial decisions in the context of the MNC and to develop an in-depth understanding of the major international financial markets. The course includes experiential activities – following a country's currency to better understand macro, cultural and social conditions, and analyzing a MNC and its global operations.

Our goals are to:

1. Investigate the growth of multinational firms, with a focus on the second half of the 20th century through today when the MNC became the primary engine of growth of the global economy.
2. Analyze the instruments traded and institutions active in the foreign exchange markets, the international money markets, and the international capital markets.
3. Analyze the financial decision making of a MNC, with specific attention to foreign exchange risk management and the analysis of investment projects.
4. Work as an analyst making investment decision recommendations on international firms.
5. Understand the impact of environmental, social and governance perspective of firms.
6. Learn how to communicate and work effectively in a cooperative learning environment.
7. Understand and address the impact of the global financial and developed sovereign debt crises on you as a student, employee and investor.

STUDENT LEARNING OUTCOMES (SLO's)

At the completion of the course you will be able to:

1. Describe how the market for foreign exchange works through the cash markets (spot and forwards) and derivatives markets (forwards, options, and interest rate and currency swaps)
2. Explain the concept of foreign exchange risk, the factors that determine the rate of exchange between two currencies and foreign exchange risk measurements
3. Analyze how foreign exchange risk can be managed through currency derivatives and through other techniques
4. Identify the international factors that impact the cost of capital of the global firm and how firms obtain capital through the money and debt markets and cross border issuance of equity
5. Recognize the cultural, social and political risks that the global firm faces, including capital restrictions, and trade tariffs
6. Describe the importance of sustainability to the MNC in today's capital markets

COURSE MATERIALS

Course Web Site: Canvas (Electronic Blackboard made available to all)

Required Textbook: *Multinational Business Finance, 15/E, 2019*. Authors David K. Eiteman, Retired; UCLA Anderson; Arthur I. Stonehill, Retired; Oregon State University; Michael H. Moffett, Arizona State University, print or e-book

Excel and Financial calculator – You will use Microsoft Excel to complete the course projects and assignments. A financial calculator is most helpful for this class. You may find investopedia.com online calculator acceptable as well.

Other resources –Selected articles and cases from newspapers, books, and Journals, etc.

4th Hour: Changes in the market value of public companies are mainly driven by investors' perception of a firm's expected performance. Many of these views are formed by quarterly earnings announcements and investor earnings calls. As a corporate finance intern, you will follow Earnings Calendars of firms and macro-economic announcements regularly through weekly written journal entries. Your performance on these are included in your homework grade.

COURSE DETAILS

GRADING

Your final grade will be based on:

<u>Assignment</u>	<u>Percentage*</u>
Cases (3)	30%
Final Exam	30%
Final Research Project	30%
Homework and Class Discussions	10%

* The instructor may make an adjustment, if necessary.

The grade for this course will be determined from this scale:

A = 93-100%, A- = 90-92, B+ = 87-89, B = 83-86, B- = 80-82, C+ = 77-79, C = 73-76, C- = 70-72, D+ = 67-69, D = 60-66, F = <60

Final grade will be the weighted average of all assignments. No rounding up will be used.

COURSE ASSIGNMENTS

Assigned problems: Throughout the semester you will be assigned to work on end-of-the-chapter problems and cases. Your solutions are to be shared with your classmates on the Discussion Board of Canvas.

Final Research Project: In this project, you will assume the role of consult and apply the concepts from class to an international finance business decision, reviewing the international operations of an assigned MNC. There will be detailed instructions on this project in Week 3.

For this project, you will produce two deliverables: a presentation and a report. You will present your results to the client (me) on the second to the last class. Your presentation will include slides to support your findings. Your presentation will be evaluated based on clarity, content and professionalism. In addition, you will provide a written report to your client. This report will include an executive summary highlighting your recommendations and more details to support your recommendations. Please submit your final written assignment with the following standard format on the cover page of the first page:

FIN340

Your Name

Date: DD-MM-YYYY

Name of Company (e.g., BASF)

Please properly cite all materials used in your report with MLA format. Include charts, tables, graphs with sources listed. Your report will include a reference section.

This project is an important component to complete the course successfully. **Students are strongly encouraged to work on the project throughout the semester and consult with the instructor.**

EXAMS

Make-ups will not be given, and absences will be excused only in the most extreme circumstances. If you are unable to take an exam at the scheduled time, you must notify me in advance. **Failure to provide advance notice will result in a zero on the exam.** You will have to provide written documentation for an absence. **Failure to take any exam will result in "zero" for the overall exam score.**

Due Dates: All due dates are FIRM. For each day that an assignment is late, your grade will be reduced by 10 percentage points (per day). For example, if your paper is two days late, a paper otherwise worthy of 94 points will receive 74 points (i.e. 94-20).

WRITING POLICY

Writing is a fundamental college and business skill. Your grade for each assignment will reflect, among other things, your ability to write, even for assignments with minimal writing. Feedback on your writing will be provided as deemed necessary and, if your writing needs improvement, you should seek help from the Writing Center at <http://tutoringcenter.pages.tcnj.edu/humanities/writers-place/>, or seek help from someone who writes well, or some other writing source. The responsibility to write well is yours. My responsibility is to hold you accountable for how well you write. Poor writing will be reflected in your final grade.

ACTIVE PRESENCE/ CLASSROOM CONDUCT

Students are expected to attend all classes on time, to read assigned material before class, and to submit all homework on time. Attendance and active classroom participation are required of each student. At all times, in class and group discussions, students are expected to respect contributions, questions and opinions of others. Demeaning others in anyway is not acceptable.

Your active participation in the weekly face-to-face classes, as well as the online components of this course is essential. ***Students are responsible for keeping up with information posted on the Canvas class webpage in a timely manner including quizzes, exams, projects, assignments and announcements.*** There maybe an occasional pop quiz to verify whether you have read the assignments before class.

SCHOLASTIC DISHONESTY

You are expected to do your own academic work and cite sources as necessary. Failing to do so is scholastic dishonesty. Scholastic dishonesty means plagiarizing, cheating on assignments or exams; engaging in unauthorized collaboration on academic work: taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; altering, forging, or misusing a university record; or fabricating or falsifying data, research procedures, or data analysis.

If it is determined that a student has cheated, he or she may be given an “F” for the course and may face additional sanctions from the Study Center.

INSTRUCTOR AVAILABILITY

Students are strongly encouraged to meet me at my office at the ESC or email me anytime. I will respond to your emails within two business days. Students are responsible for keeping up with information posted on the Canvas class webpage in a timely manner.

Course Outline

Week	Topic	ESM Ch.
1	The International Financial Environment (Ch. 1) Financial Goals and Governance (Ch. 4)	Country Macro environment, Geopolitics and Exchange Rates Assignment.
2	The International Monetary System (Ch. 2) Mini-Case Iceland, Ch. 2	Ch. 2 Answer min-case questions, submit online
3	Foreign Exchange Markets (Ch. 5) MNC Project Assigned	Ch. 5 homework problems. Regress MNC sales on Currency Index Basket.
4	International Parity Conditions (Ch. 6) Mini-Case Mrs. Watanabe and Yen Carry Trade (Ch. 5)	Ch. 6 homework problems Bring in Big Mac Index (ft.com) Ch. 5 Mini-Case, submit online
5	Global Financial Crisis & Current International Markets (Canvas) Global Banking Reading	Work on MNC project – What are their global operations? Discuss their revenue and profit mix. What impact does Brexit have on your firm?
6	Foreign Currency Derivatives: Futures, Forwards, Options, Swaps (Ch. 7, 8)	Ch. 7, 8 homework problems MNC financial analysis.
7	Mini-Case Argentina and Vulture Funds (Ch.8)	Ch. 8 Minicase, submit online.

	Foreign Exchange Rate Risk Management: Transaction and Operating Exposures (Ch. 10, 12)	
8	Financing Globally – Raising Money in Capital Markets (Ch. 14) Multinational Capital Budgeting (Ch. 17)	How does your firm raise debt and equity capital? Bring in draft of presentation and report.
10	MNC Firm Presentation	Bring in presentation and report hardcopy. Submit online also.
11	Final Exam	

**Topics and details of each lecture are tentative and subject to change. Some topics may be added or deleted from the list. There is a fall break scheduled during this term.*