



BUSINESS SCHOOL  
Te Kura Pakihi

## COURSE OUTLINE

***FINC 410***  
***Advanced International Financial***  
***Management***

Semester One, 2019

## Paper Description and Aims

Businesses are operating in an increasingly competitive global environment. Managing businesses either directly or indirectly exposed to international competition requires an understanding of currency risks and international financial markets. This course aims at providing students with an in-depth knowledge of these issues. These main areas are covered: currency risk, currency derivatives and hedging decisions, cross-border financing decisions, cross-border investment decisions, and international financial markets.

## Learning Outcomes

The objectives of this course are:

- To provide an introduction to international finance theory.
- To review and synthesize the fundamental themes in international finance research.
- To explore ideas for doing empirical research in international finance.
- To assess research articles in international finance.

Upon successful completion of this paper, you should be able to:

- Demonstrate an understanding of financial theory pertaining to (1) international financial management and (2) the use of financial instruments in an international context.
- Develop a frame of reference through which to identify, evaluate, and solve financial problems pertaining to the broad area of international finance with or without complete information.
- Demonstrate the ability to present a set of ideas in a clear, concise, and professional manner.
- Develop critical and analytical skills and the ability to work independently.
- Demonstrate communication and written skills.

## Teaching Staff

### **Paper Coordinator and Lecturer**

Name: Dr Tu Nguyen

Office: OBS 311

Email: [tu.nguyen@otago.ac.nz](mailto:tu.nguyen@otago.ac.nz)

Office Hours: Thursday 11:00-noon; Friday 10:30-noon

You should contact the paper coordinator with any administrative enquiries about the paper, e.g. requests for late submission of assignments.

## Course Delivery

Lecture Day/Time: Thursday 1:00–2:50 PM, Friday 3:00 to 4:50PM

Room: OBS 336

Every week students must attend two 1-hours-and-50-minutes lectures.

The journal articles have to be read and assignments be prepared before class. In every lecture (starting from Week 2), a student is assigned to present a paper, another student is assigned to play the role of a designated discussant and all others are expected to participate in the discussion. Therefore, it is important for you to attend class. As punctuality is very critical in business, you must attend the class on time. Being late and/or missing classes will always have a negative effect on your class participation score. You are responsible for keeping yourself informed of all announcements and changes made in class.

The textbook is not required, but international finance textbooks are recommended as preliminary and/or supplementary readings for students who did not take any international finance course at the undergraduate level. Compulsory readings mainly consist of 33 selected journal articles.

**Course Calendar** The course calendar (in this outline) details scheduling information. Note that this calendar may change as the course proceeds. Any changes will be announced at lectures and be detailed on Blackboard.

*Students are expected to prepare for and attend all classes to gain full benefit from the course*

These activities should be prepared for by reviewing information detailed on Blackboard and completing any assigned readings. Students unable to attend a lecture are expected to catch up on missed material. Unless stated otherwise, all aspects of the course are examinable.

## Course Learning Resources

Compulsory readings mainly consist of 33 selected journal articles.

### Blackboard

<https://blackboard.otago.ac.nz/> provides you with access to course materials, class notices, and resources. Blackboard is used to email the whole class so it is important that you check your student email and *Blackboard* regularly.

### Student Webmail

We will use your student email account to email you information relevant to your programme. To forward your University email address to an email address that you use regularly:

1. Log into your StudentMail account (<http://www.otago.ac.nz/smlanding/>) using your student username and password.
2. Click the **Cog** button (top right corner).
3. Click on **Mail** under **Your App Settings**.
4. Under **Accounts** on left hand side, select **Forwarding**.

5. Under the Forwarding heading, type in the email address you want your email to be forwarded to. You can also choose to have a copy of these emails kept on your StudentMail account, so please check the box if you would like this.
6. Click the **Save** button.

## Assessment

All material presented is examinable (except where stated otherwise) by assignments and the final examination. All-important assessment information such as due dates and times, content, guidelines and so on will be discussed at lectures and, where appropriate, detailed on Blackboard. *Students are responsible for ensuring that they are aware of this information, keeping track of their own progress, and catching up on any missed classes.*

Assessment	Due date	Weight (%) of final grade	Requirements to pass this paper
Classroom participation/discussion	See course requirements below	10%	NA
Three individual critical reviews (including assigned verbal presentation/discussion)	See course requirements below	45%	NA
Final exam	Exam period	45%	At least 50% mark in the final exam
Total		100%	

## Course Requirements

Class participation/discussion (accounting for 10% of final grade) is assessed by your intellectual contribution to stimulating insightful dialogues in the classroom. The assigned journal articles and supportive texts have to be read before class. Missing classes and/or minimal participation in the discussion will always have a negative effect on your classroom discussion grade.

Each student will be assigned to review three articles during the course. Students must individually prepare a three-page critical review (roughly 900 words in length) on each of the assigned articles and submit an electronic version (i.e. via email) by 1:00 PM New Zealand standard time on the day preceding the lecture. The critical review primarily focuses on (1) Research questions and motivations, (2) Data, research methodology and empirical results, and (3) Conclusion, practical implications, examples of applications and/or direction for further research. Late submission of any critical review may be accepted with point deductions of 2.5 percent (i.e. 2.5% of final grade) per day (i.e. any fraction of day).

Each lecture (starting from Week 2) will take the form of a research conference session wherein an article is assigned for presenting and discussing. Depending on enrolment, each student is assigned to give individual verbal presentation in class for **up to two out of the three articles** assigned for

written critical reviews (depending on enrolment). Another student is assigned to serve as the designated discussant for the article. Both the designated presenter and discussant are responsible for preparing their individual presentation slides to show in class. The quality of the critical review is assessed on both the written quality and the verbal presentation/discussion in class, if a verbal role is assigned.

One three-hour open-book final examination (accounting for 45% of the final grade), which covers all material assigned/discussed during the semester, will be held at the end of the semester. The date, timing and the location will be announced on Blackboard as soon as it becomes available. Students are allowed to bring in any university-approved model of calculators, books and notes into the exam room.

## Learning Outcomes

Learning Outcome	Classroom discussion	Individual critical reviews	Final Exam	Total
Demonstrate the understanding of financial theory pertaining to (1) international financial management and (2) the use of financial instruments in the international context.	✓	✓	✓	
Develop a frame of reference through which to identify, evaluate, and solve financial problems pertaining to the broad area of international finance with or without complete information.	✓	✓	✓	
Demonstrate the ability to present a set of ideas in a clear, concise, and professional manner.	✓	✓	✓	
Demonstrate critical and analytical skills and the ability to work independently.		✓	✓	
Demonstrate communication and written skills.	✓	✓	✓	
<b>Total</b>	10%	45%	45%	100%

## Dishonest Practice and Plagiarism

**Students should ensure that all submitted work is their own.** Plagiarism is a form of dishonest practice (cheating). It is defined as copying or paraphrasing another's work and presenting it as one's own. Any student found responsible for dishonest practice in any piece of work submitted for assessment shall be subject to the University's dishonest practice regulations, which may result in serious penalties, including forfeiture of marks for the piece of work submitted, a zero grade for the

paper, or in extreme cases, exclusion from the University. The University of Otago reserves the right to use plagiarism detection tools.

Students are advised to inform themselves about University policies concerning dishonest practice and take up opportunities to improve their academic and information literacy. If necessary, seek advice from academic staff, or the Student Learning Centre. The guideline for students is available at this link: <http://www.otago.ac.nz/study/plagiarism/>

## Course Calendar

Session	Date	Topics*	Reading*	Supp. Text
1	27 Feb	- Exchange rates and currency markets	Lecture Notes	
2	1 Mar	- Exchange rates and currency markets	Lecture Notes	
3	6 Mar	- Exchange Rate Regimes	Paper #1	Paper # 31
4	8 Mar	- Exchange Rate Regimes	Paper #3	Paper #2
5	13 Mar	- International Parity Relations	Paper #5	Paper #4
6	15 Mar	- International Parity Relations	Paper #6	Paper #4
7	20 Mar	- Currency risks and hedging decisions	Paper #7	
8	22 Mar	- Currency risks and hedging decisions	Paper #8	
9	27 Mar	- Currency risks and hedging decisions	Paper #9	
10	29 Mar	- Currency risks and hedging decisions	Paper #10	
11	3 Apr	- Currency risks and hedging decisions	Paper #11	
12	5 Apr	- Currency risks and hedging decisions	Paper #12	
13	10 Apr	- Currency risks and hedging decisions	Paper #13	
14	12 Apr	- Currency risks and hedging decisions	Paper #14	
15	17 Apr	- Cross-border investment/financing	Paper #15	
16	19 Apr	- Cross-border investment/financing	Paper #16	
<b>Mid Semester Break 22 - 26 April</b>				
17	1 May	- Cross-border investment/financing	Paper #17	
18	3 May	- Cross-border investment/financing	Paper #18	
19	8 May	- Cross-border investment/financing	Paper #22	Papers #19 - #21
20	10 May	- Cross-border investment/financing	Paper #23	Papers #19 - #21
21	15 May	- Cross-border investment/financing	Paper #24	Papers #19 - #21
22	17 May	- Cross-border investment/financing	Paper #25	
23	22 May	- Cross-border investment/financing	Paper# 26	
24	24 May	- Cross-border investment/financing	Paper# 27	
25	29 May	- Cross-border investment/financing	Paper #28	
26	31 May	- Cross-border investment/financing	Paper #30	Paper #29
<b>Final exam: During the final exam period</b>				

\*The topics and reading are subject to change by the lecturer

**Lectures End Friday 31 May 2019**  
**University Exam Period 5 - 19 June 2019**

## Reading List (Note: The articles highlighted in yellow are supplementary texts)

1. Obstfeld, M., Shambaugh, J. C., & Taylor, A. M. (2005). The trilemma in history: tradeoffs among exchange rates, monetary policies, and capital mobility. *Review of Economics and Statistics*, 87(3), 423-438.
2. Fischer, S. (2001). Exchange rate regimes: is the bipolar view correct?. *Journal of Economic Perspectives*, 15(2), 3-24.
3. Esaka, T. (2010). Exchange rate regimes, capital controls, and currency crises: Does the bipolar view hold? *Journal of International Financial Markets, Institutions and Money*, 20(1): 91-108.
4. Taylor, A. M., & Taylor, M. P. (2004). The purchasing power parity debate. *Journal of Economic Perspectives*, 18(4), 135-158.
5. Frankel, J., & Poonawala, J. (2010). The forward market in emerging currencies: Less biased than in major currencies. *Journal of International Money and Finance*, 29(3): 585-598.
6. Daskov, N., & Swinkels, L. (2015). Empirical evidence on the currency carry trade, 1900–2012. *Journal of International Money and Finance*, 51, 370–389.
7. Géczy, C., Minton, B. A. & Schrand, C. (1997). Why Firms Use Currency Derivatives. *The Journal of Finance*, 52: 1323–1354.
8. Nydahl, S. (1999). Exchange rate exposure, foreign involvement and currency hedging of firms: Some Swedish evidence. *European Financial Management*, 5(2): 241-257.
9. Keloharju, M., & Niskanen, M. (2001). Why Do Firms Raise Foreign Currency Denominated Debt? Evidence from Finland. *European Financial Management*, 7(4), 481–496.
10. Williamson, R. (2001). Exchange rate exposure and competition: evidence from the automotive industry. *Journal of Financial Economics*, 59(3), 441-475.
11. Allayannis, G., & Weston, J. P. (2001). The use of foreign currency derivatives and firm market value. *The Review of Financial Studies*, 14(1), 243-276.
12. Allayannis, G., & Ofek, E. (2001). Exchange rate exposure, hedging, and the use of foreign currency derivatives. *Journal of International Money and Finance*, 20(2), 273-296.
13. Clark, E., & Judge, A. (2008). The determinants of foreign currency hedging: does foreign currency debt induce a bias?. *European Financial Management*, 14(3), 445-469.
14. Kim, Y. S., Mathur, I., & Nam, J. (2006). Is operational hedging a substitute for or a complement to financial hedging?. *Journal of Corporate Finance*, 12(4), 834-853.
15. Di Giovanni, J. (2005). What drives capital flows? The case of cross-border M&A activity and financial deepening. *Journal of International Economics*, 65(1), 127–149.
16. Georgieva, D., Jandik, T., & Lee, W. Y. (2012). The impact of laws, regulations, and culture on cross-border joint ventures. *Journal of International Financial Markets, Institutions and Money*, 22(4), 774–795.
17. Mitton, T. (2006). Stock market liberalization and operating performance at the firm level. *Journal of Financial Economics*, 81(3), 625–647.
18. Griffin, J. M., & Karolyi, G. A. (1998). Another look at the role of the industrial structure of markets for international diversification strategies. *Journal of Financial Economics*, 50(3), 351-373.
19. Doidge, C., Karolyi, G. A., & Stulz, R. M. (2010). Why do foreign firms leave US equity markets?. *The Journal of Finance*, 65(4), 1507-1553.
20. Karolyi, G. A. (2006). The world of cross-listings and cross-listings of the world: Challenging conventional wisdom. *Review of Finance*, 10(1), 99-152.
21. Sarkissian, S., & Schill, M. J. (2003). The overseas listing decision: New evidence of proximity preference. *The Review of Financial Studies*, 17(3), 769-809.
22. Miller, D. P. (1999). The market reaction to international cross-listings:: evidence from Depositary Receipts. *Journal of Financial Economics*, 51(1), 103-123.
23. Bessler, W., Kaen, F. R., Kurmann, P., & Zimmermann, J. (2012). The listing and delisting of

- German firms on NYSE and NASDAQ: Were there any benefits? *Journal of International Financial Markets, Institutions and Money*, 22(4), 1024–1053.
24. Fernandes, N., & Ferreira, M. A. (2008). Does international cross-listing improve the information environment. *Journal of Financial Economics*, 88(2), 216-244.
  25. Nielsson, U. (2013). Do less regulated markets attract lower quality firms? Evidence from the London AIM market. *Journal of Financial Intermediation*, 22(3): 335-52.
  26. Alfaro, Chanda, Kalemli-Ozcan & Sayek (2004). FDI and economic growth: the role of local financial markets, *Journal of International Economics*, 64 (1), 89-112.
  27. Arena, M. P., & Roper, A. H. (2010). The effect of taxes on multinational debt location. *Journal of Corporate Finance*, 16(5), 637–654.
  28. Miller, D. P., & Puthenpurackal, J. J. (2005). Security fungibility and the cost of capital: Evidence from global bonds. *Journal of Financial and Quantitative Analysis*, 40(4), 849-872.
  29. Chan, K., Covrig, V., & Ng, L. (2005). What determines the domestic bias and foreign bias? Evidence from mutual fund equity allocations worldwide. *The Journal of Finance*, 60(3), 1495-1534.
  30. Lau, S. T., Ng, L., & Zhang, B. (2010). The world price of home bias. *Journal of Financial Economics*, 97(2), 191-217.
  31. Mundell, R. A. (1961). A theory of optimum currency areas. *The American Economic Review*, 51(4), 657-665.
  32. Bayoumi, T., & Eichengreen, B. (1998). Exchange rate volatility and intervention: implications of the theory of optimum currency areas. *Journal of International Economics*, 45(2), 191-209.
  33. Jordà, Ò., Schularick, M., & Taylor, A. M. (2015). Betting the house. *Journal of International Economics*, 96, S2-S18.

## Disclaimer

While every effort is made to ensure that the information contained in this document is accurate, it is subject to change. Changes will be notified in class and via Blackboard. Students are encouraged to check Blackboard regularly. It is the student's responsibility to be informed.