COURSE OUTLINE

FINC 305
International Financial Management

Semester One, 2017

This course outline contains information specific to this paper. For more general information common to your papers, please refer to the COMMERCE_UG_2017: Commerce Undergraduate Students site on Blackboard.

Paper Description and Aims

Domestic as well as multinational corporations (MNC) are operating in an increasingly competitive global environment. Firms are either directly or indirectly exposed to international competition and thus require an understanding of currency risks and international financial markets. This course aims at providing students with an in-depth knowledge of international finance issues. Five interrelated topics are covered: (1) exchange rate risk, (2) determinants of exchange rates, (3) currency hedging, (4) international financing/investing activities, and (5) international financial markets.

The objectives of this course are:

- To provide an introduction to international finance theory (e.g., exchange rate determinants, foreign exchange exposure, foreign exchange markets, interest rate parity).
- To develop knowledge, capability, and skills necessary for making sound financial decisions for a multinational firm.
- To teach students on how to run their own MNC and write a quality feasibility report.

Prerequisites: One of ACCT 233 or FINC 206 or ACFI201 (previously FINC201)

Learning Outcomes

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

- Demonstrate the understanding of international financial theory and applications pertaining to, e.g., exchange rate determinants, foreign exchange exposure, foreign direct investment, interest rate parity, and the balance of payment.
- Develop a frame of reference through which to identify, evaluate, and solve problems pertaining to international financial with or without complete information.
- Develop critical and analytical skills and the ability to work independently.
- Demonstrate communication and written skills (e.g. the ability to write quality reports).

Teaching Staff

Paper Coordinator and Lecturer
Name: Dr. Helen Roberts
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Office Hours: Monday and Wednesday 12 – 2 p.m. (or by appointment via email)

Lecturer
Name: Dr. Eric Tan
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Office Hours: Monday and Wednesday 12:30 – 2 p.m. (or by appointment via email)

You should contact **Dr. Helen Roberts** with any administrative enquiries about the paper, e.g. tutorial changes, or requests for late submission of assignments.

Class Representatives

Class representatives are an important means of communication between students and staff. Contact details for your student class representatives can be found on the Blackboard page for this paper.

Course Delivery

Lecture Day/Time: Tuesday 2 – 3.50 p.m. BURNS 2, Thursday 3 – 3.50 p.m. QUAD 2
Room: Tuesday – BURNS 2, Thursday – QUAD 2
Tutorials: See schedule below

Day	***Time***	***Room***
Friday	11:00 to 11:50	R1S3*
Friday	13:00 to 13:50	T106**
Friday	14:00 to 14:50	T106
Friday	15:00 to 15:50	T106

*R1S3 is located on the first floor of the Richardson Building
**T106 is locat5ed on the first floor of the of the University of Otago College of Education Teaching Wing, 145 Union Street East

Every week students must attend:
Two lectures per week and one tutorial per week.
Students should be reading the relevant textbook chapter prior to class and come prepared to contribute to the lecture. I will stress the most important issues addressed in the assigned readings, and may go beyond the scope of the readings for certain topics where appropriate. 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 likely have a negative effect on your performance. You are responsible for keeping yourself informed of all announcements and changes made in class and/or on Blackboard.

Tutorials are interactive, collaborative sessions in which students attempt to cement concepts presented at lectures with their peers in a supportive environment. Tutorials begin in the **second week** of semester. You will be allocated to a tutorial and this will be available in eVision. Tutorial times and locations will be posted on Blackboard during the first week of lectures.

Tutorials offer you the opportunity to work in groups on a series of tasks designed to apply the concepts that you have been exposed to in class and from your reading, and to stimulate your interest in the course as it applies to "everyday" issues. The key feature of tutorials, as opposed to lectures and individual study, is participation of all members of the tutorial group. **Please prepare for tutorials before going to them.**

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

The required text book is:
International Financial Management by Jeff Madura. (Cengage Learning, 2015) ISBN 9781133947837 (**12th edition**) The details of this book (print and e-book version) are available on the following link:
http://www.cengagebrain.co.nz/shop/isbn/9781133947837
Supplementary readings and/or problem sets, provided on Blackboard, will facilitate and deepen your understanding of the materials covered in the course.

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.

Further information about student support, learning support and information, academic integrity and other University resources for students is available on the COMMERCE_UG_2017: Commerce Undergraduate Students site on Blackboard.

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	% of final grade	Requirements to pass this paper
Assignment 1	Wednesday, March 22, 5 p.m.	7.5%	N/A
Mid-Term Exam	In class, Tuesday, April 11	20%	N/A
Assignment 2	Wednesday, May 10, 5 p.m.	7.5%	N/A
MNC Project	Wednesday, May 24, 5 p.m.	15%	N/A
Final Exam		50%	**At least 50% in the Final Exam**
Total		100%	

Course Requirements

This course includes two assignments that will require students to track the performance of the New Zealand dollars (NZD) using a real-time FX trading account on the **CMC Markets** web portal. Students will be asked to create a free demo account on the CMC Markets platform to trade the NZD and also comment on changes in the NZD as a result of information disclosures. The assignments will also include questions related to material being taught in class. The first assignment is due on **Wednesday, March 22nd at 5 p.m.** The second assignment is due on **Wednesday, May 10 at 5 p.m.** Assignments should be placed in the box outside room 337 marked FINC 305. Late submission of assignments may be accepted with point deductions of 5% percent (of final grade) per day with the maximum deduction of 10% percent for each assignment.

A major component of this course (accounting for 15% of final grade) is the "Managing your own MNC" project. Students will develop a project in which they will establish their own small MNC. The work will be done in groups of no more than three students. A report of no more than 20 pages must be submitted on **Wednesday, May 24th by 5 p.m**. The report will provide students with an opportunity to identify a product or service within New Zealand (an overseas market) that can be sold in a foreign market (New Zealand) and apply ideas learnt in class to develop a strategy to enter the new market and distribute the product. This strategy must include foreign exchange risk management. The group will be required to present their project during the last week of the course on **Friday May 26th and June 2nd, 2017** during tutorial hours in routine tutorial rooms. Late submission of report may be accepted with point deductions of 5% percent (of final grade) per day with the maximum deduction of 15% percent report.

One closed-book mid-term examination (counting for 20% of the final grade), which covers all materials discussed during Sessions 1 through 8 (weeks 1 to 4), will be held during class on **Tuesday, April 11th**. Students are allowed to bring in any university-approved model of calculators into the mid-term exam. There is no make-up exam for the mid-term exam. Under exceptional circumstances, a student who missed the mid-term exam may be allowed to sit another mid-term exam after departmental approval. The student will be required to show sufficient evidence to convince that the reason for absence from the original mid-term is genuine.

One three-hour closed-book final examination (counting for 50% of the final grade), which covers all materials discussed during the semester, will be held at the end of the semester. The date, time and location will be announced on Blackboard as soon as it becomes available. Students are allowed to bring in any university-approved model of calculators into the final exam. Note that students must achieve a mark of at least 50% in the final exam to pass the course.

Assignment Submission Procedure

All assignments should be posted to the box at the end of the hall outside room 337 on the 5th floor of the School of Business. The deadlines are noted in the course calendar below.

Referencing Style and Style Guide

For this paper the referencing style is ***(e.g. Harvard, Chicago, APA, etc.)***. Here is a link to the style guide: ***(insert link)*** Style guides are also available on the University Library website: http://www.otago.ac.nz/library/quicklinks/citation/index.html

Learning Outcomes

Learning Outcome	Assignment 1	Mid-Term Exam	Assignment 2	MNC Report	Exam	Total
Demonstrate an understanding of international financial theory and applications pertaining to, e.g., exchange rate determinants, foreign exchange exposure, international credit, bond and stock markets, currency derivatives and currency futures.	✓	✓	✓	✓	✓	
Understand how to make direct foreign investment decisions, manage international trade finance working capital.			✓	✓	✓	
Develop a frame of reference through which to identify, evaluate, and solve problems pertaining to international financial Management.	✓	✓	✓	✓	✓	
Develop critical and analytical skills and the ability to work independently.		✓		✓	✓	
Demonstrate communication and written skills.	✓	✓	✓	✓	✓	
Total						100%

Lectures end Friday 2 June 2017
University Exam Period: 7 - 21 June 2017

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.

Course Calendar

Week	Session	Date	Topics	Lecturer	Reading	Homework	Assessment
1	1	Feb-28	Foreign Exchange Market International Money Market	HR	Madura Chapter 3	Chapter 3: Q 1, 2, 3 on page 97	Discuss in tutorials during week 1
	2	Mar-02	International Credit Market International Bond Market International Stock Markets	HR	Madura Chapter 3 and Appendix 3	Chapter 3: Q 10, 11, 16, 22, 26 pp. 94-95	Discuss in tutorials during week 2
2	3	Mar-07	Exchange Rate Equilibrium Factors that Influence Exchange Rates	HR	Madura Chapter 4	Chapter 4: Q 1, 2, 3, 4 on p. 128	Discuss in tutorials during week 3
	4	Mar-09	Exchange Rate Determination Movements in Cross Exchange Rates Expected Exchange Rate Movements	HR	Madura Chapter 4	Chapter 4: Q 10, 12, 13, 16 pp. 128-129	Discuss in tutorials during week 3
3	5	Mar-14	Currency Derivatives Forward market Currency Futures Market	HR	Madura Chapter 5	Chp 5: Internet Exercises Q 1, 2, 3, 4 page 167	Discuss in tutorials during week 4
	6	Mar-16	Currency Futures Market Currency Options Market	HR	Madura Chapter 5	Chp 5: Q 6, 7, 12, 20 pp. 159-160	Discuss in tutorials during week 4
4	7	Mar-21	Exchange Rate Systems	HR	Madura Chapter 6	Chp 6: Internet Exercises Q 1, 2, 3 page 216	**ASSIGNMENT 1 due at 5 p.m. Wednesday, March 22**
	8	Mar-23	A Single European Currency Government Intervention	HR	Madura Chapter 6	Chp 6: Q 2, 9, 10, 22, 23 pp. 211-214	Discuss in tutorials during week 5
5	9	Mar-28	International Arbitrage Interest Rate Parity (IRP)	HR	Madura Chapter 7	Chp 7: Q 2, 4, 6, 15 pp. 246-247	Discuss in tutorials during week 6
	10	Mar-30	Interest Rate Parity (IRP) cont. Variation in Forward Premiums	HR	Madura Chapter 7	Chp 7: 22, 33 pp. 248-249	Discuss in tutorials during week 6
6	11	Apr-04	Purchasing Power Parity (PPP)	HR	Madura Chapter 8	Chp 8: 10, 11, 13, 18, 20 page 277	Discuss in tutorials during week 7
	12	Apr-06	International Fisher Effect (IFE)	HR	Madura Chapter 8	Chp 8: Q 26, 38, 45 pp. 278-281	Discuss in tutorials during week 7
7	13	Apr-11	In class Mid-Semester Test	HR			**Mid-Semester Test IN CLASS**

7	14	Apr-13	PPP and IFE Review	HR	Madura Chapter 8	Chp 8: Q 25, 32, 39 pp. 278-280	Discuss in class
		Apr-18	**MID-SEMESTER BREAK**				
		Apr-20					
8	15	Apr-25	Policies for Hedging Transaction Exposure Hedging Exposure to Payables	HR	Madura Chapter 11	Chp 11: Q 11, 12, 19 page 377	Discuss in tutorials during week 9
	16	Apr-27	Hedging Exposure to Receivables Limitations of Hedging Alternative Hedging Techniques	HR	Madura Chapter 11	Chp 11: Q 23, 26, 27 page 378	Discuss in tutorials during week 9
9	17	May-02	Managing Economic Exposure Case Study: Hedging Economic Exposure	HR	Madura Chapter 12	Chp 12: Q 2, 11 page 407	Discuss in tutorials during week 10
	18	May-04	Hedging Exposure to Fixed Assets Managing Translation Exposure	HR	Madura Chapter 12	Chp 12: Q12, 13 page 408	Discuss in tutorials during week 10
10	19	May-09	Multinational Capital Budgeting	ET	Madura Chapter 14	Chp 14: Q 8, 13, 18 pp. 455-456	**ASSIGNMENT 2 due at 5 p.m. Wednesday, May 10**
	20	May-11	Direct Foreign Investment	ET	Madura Chapter 13	Chp 13: Q5, 6, 9 page 430	Discuss in tutorials during week 11
11	21	May-16	Payment Methods for International Trade Trade Finance Methods	ET	Madura Chapter 19	Chp 19: Q 1, 3, 5, 9 pp. 588-589	Discuss in tutorials during week 12
	22	May-18	Agencies that Facilitate International Trade	ET	Madura Chapter 19	Chp 19: Q 11, 14 page 589	Discuss in tutorials during week 12
12	23	May-23	Multinational Working Capital Management Centralized Cash Management	ET	Madura Chapter 21	Chp 21: Q 3, 6, 9, 14 pp. 630-631	Discuss in tutorials during week 13
	24	May-25	Optimizing Cash flows Investing Excess Cash	ET	Madura Chapter 21 and Appendix	Chp 21: Q 16, 19 page 631	**MNC REPORT due at 5 p.m. on Wednesday, May 24.**
13	25	May-30	Final Exam Review	HR/ET			
	26	Jun-01	Back-up class				