



BUSINESS SCHOOL
Te Kura Pakihi

COURSE OUTLINE

FINC 305 ***International Financial Management***

Semester One, 2021

This course outline contains information specific to this paper. For more general information common to your papers, please refer to the COMMERCE_UG_2018: Commerce Undergraduate Students site on Blackboard.

Paper Description and Aims

Domestic and Multinational Corporations (MNCs) are operating in an increasingly competitive global environment. Firm value maximisation involves international investing and financing decisions. Firms are exposed to international competition and Financial Managers need to understand currency risk and how international financial markets operate. This course aims to provide students with an in-depth knowledge of: (1) international financial markets, (2) determinants of exchange rates, (3) currency derivatives, (4) international arbitrage and interest rate parity, and (5) exchange rate risk management.

The objectives of the course are:

- To provide an introduction to international finance theory (exchange rate determinants, foreign exchange exposure, foreign exchange markets, interest rate parity).
- To gain understanding about how the foreign exchange market works including product types, quotations, hedging strategies and consequences of changes in foreign exchange rates.
- To develop knowledge, capability, and skills necessary for making sound financial decisions for a multinational firm.
- To teach students about how to run their own MNC and write a quality feasibility report.

Learning Outcomes

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

- Develop an ability to apply international financial management skills in the acquisition, organisation, analysis, evaluation and presentation of related information using digitally based resources.
- Build a commitment to acquiring and understanding international financial management.
- Grow a frame of reference through which to identify, evaluate, and solve problems pertaining to international financial management.
- Encourage critical and analytical skills and the ability to work independently.
- Create an understanding of the links amongst business disciplines and a commitment to learning.
- Demonstrate communication and written skills (e.g. the ability to write quality reports).
- Work constructively, effectively and cooperatively as part of a team.
- Be able to apply ethical standards and use ethics responsibly in financial markets and the wider community.
- Appreciate your role as a global citizen and the global impact of the foreign exchange market.

Teaching Staff

Paper Coordinator and Lecturer

Name: Dr. Tahir Suleman

Office: 345

Email: tahir.suleman@otago.ac.nz

Office Hours: Monday and Friday **10 – 12 noon** (or by appointment via email)

You should contact **Dr. Tahir Suleman** 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:

Room: Tuesday 2 – 3.50 p.m. ARCH1, Thursday 3 – 3.50 p.m. ARCH3.

Tutorials: See schedule below

Day	Time	Room
Wednesday	10:00 to 10:50	OWG34
Wednesday	11:00 to 11:50	CASTA
Thursday	2:00 to 2:50	GR311

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.** The course calendar has practice questions that should be attempted before class. The practice questions will be posted on Blackboard.

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

Preparation should include reviewing information detailed on Blackboard, reading relevant sections of the required textbook, following information about the value of the New Zealand dollar and other currencies on a foreign exchange platform and completing assignments on time. 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, 2021) ISBN 978-0-357-13054-4 (14th edition) or ISBN 978-1-337-26996-4 (13th edition). The details of this book (print and e-book version) are available on the following link:

<https://nz.cengage.com/c/international-financial-management-14e-madura/9780357130544/>

Note that two copies are available on close reserve in the Central Library. Supplementary material and/or problem sets, provided on Blackboard and used as review material in class, 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 Student Mail 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 25, 4 p.m.	7.5	Must complete
Mid-Term Exam	In class, Tuesday, April 27	15	Must complete
Assignment 2	Wednesday, May 6, 4 p.m.	7.5	Must complete
MNC Project	Wednesday, May 20, 4 p.m.	20*	Must complete
MNC Presentation	Wednesday, May 27 or Thursday, May 28 in Boardroom	Group must present at an arranged time	Must complete

- 10% will be assigned to individual presentation and 10% to the group report.

Course Requirements

This course includes two assignments that will require students to track the performance of the New Zealand dollar (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 (<https://www.cmcmarkets.com/en-gb/cfds/demo-trading-account>) 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 31st at 4 p.m.** The second assignment is due on **Wednesday, May 12th at 4 p.m.** Assignments should be placed in the box outside room 336 marked FINC 305, located on the third floor of the OBS. 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 20% of final grade) is the “Managing your own MNC” project. Students will develop a project in which they will establish their own MNC. The work will be done in groups of no more than FOUR students. A report of no more than 20 pages (excluding title page, executive summary, references and appendixes) must be submitted on **Wednesday, May 26th by 4 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 either **Tuesday, June 1st or Thursday, June 3rd**. Marks will be allocated individually (10%) based on the student’s presentation and as a group (10%) for the report. Late submission of the 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 15% 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 27th**. 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 336 on the 3rd floor of the School of Business. The deadlines are noted in the course calendar below.

Late Assignments

Assignments must be handed in on time. Late submission of the group report may be accepted with point deductions of 5% percent (of final grade) per day with the maximum deduction of 15% percent report.

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
Develop an ability to apply international financial management skills in the acquisition, organisation, analysis, evaluation and presentation of related information using digitally based resources.	✓	✓	✓	✓	✓	
Build a commitment to acquiring and understanding international financial management.		✓		✓		
Grow a frame of reference through which to identify, evaluate, and solve problems pertaining to international financial management.	✓	✓	✓	✓	✓	
Encourage critical and analytical skills and the ability to work independently.	✓		✓		✓	
Create an understanding of the links amongst business disciplines and a commitment to learning	✓		✓	✓		
Demonstrate communication and written skills (e.g. the ability to write quality reports).	✓	✓	✓	✓	✓	
Work constructively, effectively and cooperatively as part of a team.				✓		
Be able to apply ethical standards and use ethics responsibly in financial markets and the wider community.	✓	✓	✓	✓	✓	
Appreciate your role as a global citizen and the global impact of the foreign exchange market.	✓	✓	✓	✓	✓	
Total						100%

Lectures End Friday 4 June 2021
University Exam Period 9 June – 23 June 2021

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	Lecture	Date	Topics	Reading	Practice Questions	Tutorial/Assessment
1	1	02-Mar	What is a Foreign Exchange rate? What is a Foreign Exchange Market? What are Cryptocurrencies?	Madura Chapter 1 Madura Chapter 3	Chapter 1: Q19 Chapter 3: Q 3	Set up demo account on www.cmcmarkets.com Use your CFD account
	2	04-Mar	Players in the FOREX MARKET Exchange rate quotations	Madura Chapter 3 and Appendix 3	Chapter 3: Q 4, 12, 19, 25, 26	Select a NZD currency pair and begin your currency log. Use your CFD account
2	3	09-Mar	Exchange Rate Equilibrium Factors that Influence Exchange Rates <i>Guest Lecture</i>	Madura Chapter 4	OFX.com and cmctrading.com Chapter 4: Q 1, 2, 3, 4	
	4	11-Mar	Exchange Rate Determination Movements in Cross Exchange Rates Expected Exchange Rate Movements	Madura Chapter 4	Chapter 4: Q 12, 13, 19, 22	Week 1 tutorial questions on BB
3	5	16-Mar	International Flow of Funds The J-Curve	Madura Chapter 2	IMF.org questions Chapter 2: Q 2, 4, 5, 6, 7	
	6	18-Mar	The Impact of Trade Balances New Zealand Trade Balance		Chapter 2: Q 13, 14	Week 2 tutorial questions on BB
4	7	23-Mar	Currency Derivatives Forward market Currency Futures Market	Madura Chapter 5	Chapter 5: Q 7, 10, 11	
	8	25-Mar	Currency Futures Market Currency Options Market	Madura Chapter 5	Chapter 5: Q 12, 13, 22	Week 3 tutorial questions on BB
5	9	30-Mar	Exchange Rate Systems	Madura Chapter 6	Chapter 6: Q 2, 3, 8, 9, 10	ASSIGNMENT 1 4 p.m. Wednesday, March 31
	10	1-April	Government Intervention Brexit - What does it mean for NZ?	Madura Chapter 6	Chapter 6: Q 13, 22, 23	Week 4 tutorial questions on BB
MID-SEMESTER BREAK (5 April to 9 April)						
6	11	13-April	Purchasing Power Parity (PPP)	Madura Chapter 8	Chapter 8: 9, 12, 17	
	12	15-April	International Fisher Effect (IFE)	Madura Chapter 8	Chapter 8: Q 19, 28, 33, 34, 37	Week 5 tutorial questions on BB

7	13	20-April	International Arbitrage Interest Rate Parity	Madura Chapter 7	Chapter 7: Q 2, 4, 6	
	14	22-April	Interest Rate Parity (cont.) Variation in Forward Premiums	Madura Chapter 7	Chapter 7: 22, 33	Week 6 tutorial questions on BB
8	15	27-April	In Class Mid-Semester Test	Chapters 1, 2, 3, 4,5		Mid-Semester Test in Class
	16	29-April	Mid-Semester test review			Week 7 tutorial questions on BB
9	17	4-May	Currency Swaps		See Tutorial Questions	
	18	6-May	Interest Rate Swaps		See Tutorial Questions	Week 8 tutorial questions on BB
10	19	11-May	Policies for Hedging Transaction Exposure Hedging Exposure to Payables	Madura Chapter 11	Chapter 11: Q 11, 12, 19	ASSIGNMENT 2 4 p.m. Wednesday, May 12
	20	13-May	Hedging Exposure to Receivables Limitations of Hedging Alternative Hedging Techniques	Madura Chapter 11	Chapter 11: Q 27	Week 9 tutorial questions on BB
11	21	18-May	Managing Economic Exposure Case Study: Hedging Economic Exposure	Madura Chapter 12	Chapter 12: Q 12, 13	
	22	20-May	Hedging Exposure to Fixed Assets Managing Translation Exposure	Madura Chapter 12	Chapter 12: Q14, 15	Week 10 tutorial questions on BB
12	23	25-May	Multinational Capital Budgeting <i>Guest Lecture</i>	Madura Chapter 14	Chapter 14: Q 13, 18, 20	MNC Report 4 p.m. Wednesday, May 26
	24	27-May	Direct Foreign Investment Payment Methods for International Trade	Madura Chapter 13 Madura Chapter 19	Chapter 13: Q 14, 12(extra)	Week 11 tutorial questions on BB
13	25	1-June	Final Exam Review <i>Guest Lecture</i>			MNC REPORT Presentations
	26	3-June	Back-up Class			Week 12 tutorial questions on BB