INTERNATIONAL FINANCIAL MANAGEMENT in Fall 2019 (BA5035)

Course Code: BA5035  
Prerequisites: None  
Class Schedule: TF: 13:45-15:05 in G-002  
Office Number: G-3A04  
Office Hours: Monday 9:00 a.m. to NOON.  
Credits: 4  
Semester: Fall 2019  
Email: jward@aup.edu  
Office Tel. Ext.: 803

Course Description

The course will focus on the international and multinational aspects of Corporate Finance decision-making in the context of global financial markets and capital formation. A tentative list of topics is given below. “Corporation” in this context includes non-governmental and charitable organizations (which also are corporations).

“The increasing openness and interdependence between countries” could be a simple definition of “globalization.” This process has many causes and implications (cultural, technological, political, environmental, etc.), but it is widely accepted that Finance is the dimension in which it is most advanced. The course focuses on understanding the theory of international finance and on its real world applications from a business point of view. Understanding the foreign exchange markets and world capital markets (banking, debt and equity) is necessary to carry out a sound and effective management of the firm from a financial point of view. And since multinational corporations face opportunities but also risks, financial management involves the design of appropriate strategies to hedge the company from actual and potential risks through the use of the different types of financial assets (such as derivatives) available for this purpose.

Course Learning Outcomes

At the end of the semester, students are expected to be: familiar with the financial environment within which multinational corporations (MNCs) operate. able to analyze the viability of international corporate projects. able to make international financing decisions. knowledgeable about the trade-offs involved when maximizing the MNC’s value or meeting mission goals. able to effectively communicate results of financial analysis.
General Education

The general education program at AUP consists of four requirements: Speaking the World, Modeling the World, Mapping the World, and Comparing Worlds Past and Present.

This course can be used to fulfill the requirement and as such has the following learning outcomes:

Course Outline

OUTLINE:

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Foreign Exchange Market: origin of the concept of foreign exchange, the difference between fixed and floating rates. Foreign exchange transactions and the derivatives instruments traded in foreign exchange market such as forwards, futures, swaps, and options.</td>
</tr>
<tr>
<td>3</td>
<td>Currency Derivatives: forward markets and the different concepts, currency futures markets and currency options markets and functions.</td>
</tr>
<tr>
<td>4</td>
<td>Exchange Rate Determination: Exchange rate movements, factors that influence exchange rates, movements in cross exchange rates, concepts of international arbitrage, interest rate parity, and purchasing power parity and the International Fisher effect.</td>
</tr>
<tr>
<td>5</td>
<td>International Financial Markets: basic concepts of the international money market. International credit markets (loans in various forms) from the creditors/investors.</td>
</tr>
<tr>
<td>6</td>
<td>Foreign Trade Finance: concept of foreign trade finance. concepts of financing exports and financing imports and documentary collections, factoring, forfeiting and countertrade</td>
</tr>
<tr>
<td>7</td>
<td>Nature and Measurement of Foreign Exchange Exposure: nature and measurement of foreign exchange exposure. Types of exposures and the various types of translation methods.</td>
</tr>
<tr>
<td>8</td>
<td>Management of Foreign Exchange Exposure: concept of exposure forward and...</td>
</tr>
</tbody>
</table>
9 foreign exchange exposure, various tools and techniques of foreign risk management and the risk management products.

Theme **International Capital Structure**: international capital structure, cost of capital, the capital structure of MNCs, cost of capital in segmented versus integrated markets.

Theme **International Capital Budgeting**: Introduction of international capital budgeting, adjusted present value model, capital budgeting from parent firm’s perspective and expecting the future expected exchange rate analysis.

Theme **Country Risk Analysis**: country risk factors, assessment of risk factors.

Theme **International Taxation**: international tax system, principles of taxation, double taxation, tax havens and transfer pricing. International tax management strategy and Indian tax environment.

Theme **Foreign Direct Investment, International Portfolio and Cross-Border Acquisitions**: flow, cost and benefits of Foreign Direct Investment. ADR and GDR, concept of portfolio, cases on cross border acquisitions.

**IBA5035 – Multinational Business Finance: My commitment to you.**

1. I will come to class prepared to make the best possible use of your time.
2. I will post all my lecture materials on Blackboard so you will have access to them.
3. I will post the answers to all textbook exercises/problems from the instructor’s manual, so you can check your homework and any other problems you try to do.
4. I will treat all students fairly.
5. I will not try to “trick you” on exams, but will test you on the material that I have taught.
6. I will respond to your emails as quickly as possible.
7. I will find time to meet with you within, at most, two working days of your request for an appointment.
8. I will do my very best to help you learn what’s most important for you as a business student.
9. I will respect every student.

**Student should commit to this to get the most out of this course and the subject matter:**

1. I understand that I must fully understand the material from each class in order to understand the material for the next class.
2. I understand that being able to follow along in class does NOT indicate that I understand the material, and that I must do ALL the homework (at LEAST once) in order to understand the material.
3. I understand that this is **NOT** a course where I can catch up right before an exam. No
matter how hard I try, I will certainly fail the exam if I haven’t been keeping up.
4. I understand that every week I will have a “quiz and/or homework” grade. Either a quiz will be given at the beginning of the class or I will be asked to turn in a homework problem.
5. If your absence is expected, you will notify me.
6. After an exam, I will not ask for any special consideration, because I will do all that I should do every week.
7. Missing a class does not give me any excuses to not be prepared for the subsequent class. I will find out what was missed in class as well as the homework assignments on Blackboard.
8. I understand that to pass a four credit course I will need to spend 4-8 hours OUTSIDE of class every week reading the textbook, reviewing the slides, redoing the class problems and doing the homework.

Textbooks

<table>
<thead>
<tr>
<th>Title</th>
<th>Author</th>
<th>Publisher</th>
<th>ISBN</th>
<th>Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multinational Business Finance Global Edition</td>
<td>David K. Eiteman (Author), Arthur I. Stonehill (Author), Mi</td>
<td>Pearson</td>
<td>9781292097879</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Attendance Policy

**ATTENDANCE:** You are in graduate school, and graduate school is expensive. I am a very knowledgeable world famous expert on this subject. This is your chance to learn some of what I know.

**AUP ATTENDANCE POLICY:**

Students studying at The American University of Paris are expected to attend ALL scheduled classes.

A maximum of four (4) *excused* absences per semester may be requested for all 4-credit courses. Two per semester per 1 or 2-credit course may be requested.

The French Department has its own attendance policy. Students are responsible for compliance.

*Attendance at all exams is mandatory.*
**Student Affairs** will *recommend* that a professor excuse an absence for the following reason only:

Involuntary absences due to illness or personal emergencies, upon presentation of documentary proof of illness or emergency.

**Religious and National Holidays:**

Due to the large number of nationalities and faiths represented at the University, religious and national holidays (other than those on the academic schedule) will not be excused by Student Affairs.

**Academic Affairs** will excuse an absence for students’ participation in study trips related to their courses.

**Lateness to course meetings:**

If a student arrives at course meetings more than 10 minutes late without documentation for one of the above scenarios, it will be considered an *unexcused* absence.

All documentation must be submitted to the Office of Student Affairs within ONE WEEK following the first day of the absence.

**IN ALL CASES OF MISSED COURSE MEETINGS, THE RESPONSIBILITY FOR COMMUNICATION WITH THE PROFESSOR AND FOR ARRANGING TO MAKE UP MISSED WORK RESTS SOLELY WITH THE STUDENT.**

Whether an absence (excused or unexcused) is accepted or not is ALWAYS up to the discretion of the professor or the department. Unexcused absences can result in a low or failing participation grade. In the case of excessive absences, it is up to the professor or the department to decide if the student will receive an “F” for the course. An instructor may recommend the withdrawal of a student whose absences from any course, *excused or not*, have made it impossible to continue in the course at a satisfactory level. The professor may consult with Student Affairs for additional information.

Students must be mindful of this policy when making their travel arrangements, and especially during Drop/Add and Exam Periods.

**ENGLISH LANGUAGE PROFICIENCY STATEMENT:** As an Anglophone university, The American University of Paris is strongly committed to effective English language mastery at the undergraduate level. Most courses require scholarly research and formal written and oral presentations in English, and AUP students are expected to strive to achieve excellence in these domains as part of their course work. To that end, professors include English proficiency among the criteria in student evaluation, often referring students to the university Writing Lab where they may obtain help on specific academic assignments. Proficiency in English is monitored at various points throughout the student’s academic career, most notably during admissions and advising processes, while the student is completing general education requirements, and the accomplishment of degree program courses and senior theses.

**Grading Policy**
**ASSESSMENT:**  Two TESTS (10% each) and Final (30%), 50% Homework and Projects/Case Studies. A reminder, in graduate school to make adequate academic progress a "B-“ or better is required to remain in good academic standing.

Submitting assignments to me late is rude. If you need to do so, please negotiate an alternate due date with me *before* the deadline passes.

NOTE:  Regular homework assignments (solutions provided) will be graded with: check, check minus or check plus.  LETTER GRADED exercises, including case studies will be average to comprise the H.W. grade.  Non-letter graded assignments will aid in cases of borderline grades.

Other