

International Finance

Consortium Institute of Management
and Business Analysis
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Course Description

This course examines the financial policies and problems associated with firms doing business internationally. Topics include the foreign exchange environment, country risk, managing foreign exchange exposure, international working capital management, international capital budgeting, and international financial markets.

Course Expectation and Prerequisites

Introductory Financial Management – FIN3000
Managerial Accounting - ACTG2200
Principles of Microeconomics – ECON1100
Principles of Macroeconomics – ECON1200

Course Goals

1. To develop an understanding and appreciation of the critical financial issues facing managers of international firms and global investors in today's increasingly globalized world.
2. To develop a practical framework for the analysis of exchange rates and foreign exchange exposures including an understanding of forces affecting exchange rates, possible models and approaches for forecasting exchange rates, and techniques for managing various types of foreign exchange exposures.
3. To develop students' understanding of current issues and use of relevant data in the area of international finance through regular readings and discussions of articles in the financial press and through the use of appropriate on-line web sites.

Course Methods

The course will be a mixture of class discussion and lecture. To a greater extent than almost any course, this course's topics will be contained in the daily headlines. It will be critical to stay up-to-date on current events.

Class Procedure and Grading

Class will be a mixture of problem review, current event discussion, and lecture. You will be assigned textbook problems every week. We will review the problems in class. Following, there will be discussion of current topics/events. The class will complete with lecture on the next topic. Success in this class will occur through integration, not memorization. We will use economic techniques to objectively analyze economic events.

Grading

Interim Tests – 400 points (200 each)
Final – 250 points
Mini-case write-up (group score) – 100 points
Mini-case presentation (group score) – 100 points
Mini-case response (group score) – 50 points
Currency Exchange (individual score) – 50 points
Participation – 50 points

Course grades will be approximately distributed according to the recommended guidelines of the Finance Department at the University of Iowa, which is 25% A's, 35% B's, 30% C's, and 10% D's. These are only guidelines

Tests – There will be two interim tests (non-cumulative) and a final (cumulative). You may use a calculator. You may bring a one-page cheat sheet to each exam. Limit one letter- or A4-size page, one side. Please put your name on the cheat sheet and hand it in with the exam.

Mini-cases– The class will be broken into groups of four or five students. Each group will prepare one of the “mini-cases” provided. The group will present their comments. The other groups will provide Q&A discussion, elaboration, and a commentary summary write-up.

Please submit each case write-up as a word processing document. (.doc, .docx, .rtf, .txt only). The file name of the write-up must hold to the following structure: Last name1_Last name2_IntlFin_Case#. For example, if I were working with Joe French, the second mini-case would have a file name of: French_Kline_IntlFin_Case2.docx
Please e-mail as an attachment to:

Bruce.kline@colorado.edu

Currency exchange – As you travel, record the cost to exchange a set amount of currency (\$100 or €100). Record the total cost, both the bid/ask and the fee. For example, ask at a kiosk: “How many Euros would I get for \$100? How many Euros would I have to give you to purchase \$100?” Examine different situations – 1) an airport kiosk, 2) a train station, 3) a bank, 4) an ATM, etc. You must collect a total of at least five data points involving at least three total currencies (Dollar, Euro, and another) Present as a table:

Data point	Location	Currency Sold	Amount	Currency Bought	Amount	Transaction Fee
#1 - Sold						
#1 - Bought						

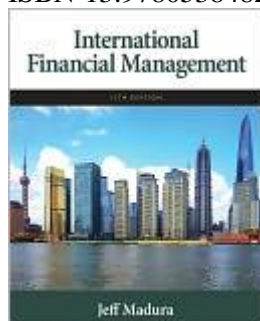
This will be due before the travel week. We will also see about arranging a “currency exchange”.

Participation – contribute verbally to class. To earn full points you must bring an article or current event to the class’ attention. You must provide a verbal summary of why the item is important. Each class session, up to two students may present. Volunteer early. There are eighteen class sessions. In later class sessions, we will draw lots. Going early in the term is the only insurance that you will have the opportunity to present.

Course Materials:

Text and Materials

International Financial Management by Madura [Cengage Learning; 11th Edition, 2011 ISBN-13:9780538482967]



The European Wall Street Journal on-line will also be required. The main purpose of this requirement is to find current macroeconomic examples and to improve the students understanding of the European culture. I also strongly recommend www.economist.com

Wall Street on the Tundra

<http://www.vanityfair.com/politics/features/2009/04/iceland200904>

Beware of Greeks Bearing Bonds

<http://www.vanityfair.com/business/features/2010/10/greeks-bearing-bonds-201010>

When Irish Eyes are Crying

<http://www.vanityfair.com/business/features/2011/03/michael-lewis-ireland-201103>

It's the Economy, Dummkopf!

<http://www.vanityfair.com/business/features/2011/09/europe-201109>

A (Subprime) Catastrophe Foretold

<http://www.spiegel.de/international/0,1518,513748,00.html>

Class Schedule

Class Session	Topics	Assignments
1	Introductions Review Principles of Micro (1100) and Macro (1200) <ul style="list-style-type: none"> • Supply/Demand/Equilibrium • Fiscal versus Monetary Policy 	
2	Chapter 1, 2, and 3 Overview Balance of Payments and Flow of Funds International Financial Markets	
3	Chapter 4 Exchange Rate Determination	
4	Chapter 5 Currency Derivatives	
5	Chapter 6 Government Influence on Exchange Rates	
6	Chapter 7 Interest Rate Parity	
7	Chapter 8 Inflation, Interest Rates, and Exchange Rates	
8	Test	
9	Chapter 9 Forecasting Exchange Rates	
10	Chapter 10 Measuring Exchange Rate Exposure	Mini-Case Presentation
11	Chapters 11 and 12 Managing Transaction Exposure Managing Economic Exposure	Mini-Case Presentation
12	Chapter 13 Direct Foreign Investment	
13	Test	
14	Chapter 14 Multinational Capital Budgeting	Mini-Case Presentation
15	Chapter 15 International Corporate Governance and Control	Mini-Case Presentation
16	Chapter 16 Country Risk Analysis International Tax	Currency Exchange Assignment
17	Chapter 17 Multinational Capital Structure Chapter 18	Mini-Case Presentation

	Long-term Debt Financing	
18	Chapter 19 Financing International Trade	Mini-Case Presentation
19	Chapter 20, 21 Short-Term Financing International Cash Management	Mini-Case Presentation
20	Review	
21	Final Examination	

Structural Policies

Virtually everything that concerns the structural mechanics of this class, including among other things course credit, dropping and adding, and academic misconduct is governed by the Tippie College of Business, University of Iowa. Specific structural policies in that regard include:

Accommodating Disabilities: If you have a disability that may require some modification of seating, testing, or any class requirement, please let me know as soon as possible so that appropriate arrangements can be made. Similarly, if you have any emergency medical information that I should be aware of, or if you need special arrangements in the event of the building being evacuated, please let me know. Please see me after or outside of class to discuss these issues.

Policy on Cheating: It is my sincere hope that no student in this class submits work which is not his or her own. However, it seems prudent to clarify in advance the policy on cheating. If I determine that any assignment was not written solely by the student whose name appears on the assignment, the student will receive a zero (0) for the assignment and may receive an "F" for the class. All incidents of cheating will be reported to the CIMBA Undergraduate Office and the Associate Dean of the Tippie College of Business and the student may be placed on disciplinary probation for the remainder of the semester. In general, the decision of the professor may be appealed to the CIMBA Undergraduate Staff and/or the College of Business Judicial Board, then to the Associate Dean for the Undergraduate Program. The Honor Code for the Tippie College of Business will determine the appropriate process. The Honor Code is located on the University of Iowa website.

Sexual Harassment: CIMBA, The Tippie College of Business and the University of Iowa are committed to providing students with an environment free from sexual harassment. If you feel that you are being or have been harassed or you are not sure what constitutes sexual harassment, we encourage you to visit the University of Iowa website: <http://www.sexualharassment.uiowa.edu/index.php> to seek assistance from the department chairs, Dean's Office, the University Ombudsmen Office, or the Equal Opportunity and Diversity Office.

FERPA Requirement: To participate in this class, it may be necessary to reveal to other students the names of students who are enrolled in this course. If you do not want your name revealed to other students enrolled in this course, please contact me in writing by the end of the first week of class.

Complaints: Student concerns regarding this course should first be discussed with me, the faculty member teaching this course. If we can't resolve the complaint, you may contact the Finance Department Chair, Erik Lie (319-335-0846, erik-lie@uiowa.edu). If you cannot resolve the complaint by speaking with the chair, you may contact the Associate Dean of the Tippie College Undergraduate Program, Lon Moeller, at 319-335-0924, or by email at lon-moeller@uiowa.edu

Class Attendance Policy

Attendance at all classes and CIMBA sanctioned activities is MANDATORY. All unexcused absences will have the following consequences:

- 1st absence will result in the loss of 1/3 of a letter grade in the class
- 2nd absence (cumulative) will result in the loss of an entire letter grade
- 3rd absence (cumulative) will result in dismissal from the program

Absences due to illness require a note from the CIMBA Undergraduate Office Staff and/or the Istituto Filippin medical staff. If you are sick and cannot attend class, you must inform the CIMBA Staff immediately with failure to do so will result in an unexcused absence.

Setting Appointments

My purpose here is to give you the best integrated learning experience possible. If you are having trouble or need more detailed instruction, please let me know. We will schedule time for review.