



International Finance

FIN4240

Spring, 2020

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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.

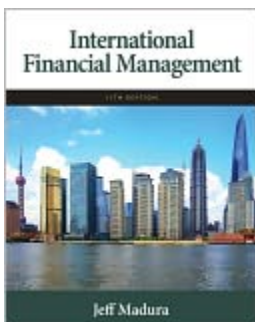
Course Objectives

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 Materials & Resources

International Financial Management by Madura [Cengage Learning; 11th Edition, 2011

ISBN-13:9780538482967]



I strongly encourage reading the *European Wall Street Journal* and I particularly recommend *The Economist*. The main purpose of this requirement is to find current macroeconomic examples and to improve the students understanding of the European culture.

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 3x5 card, one side (3x5 is ¼ of a letter- or A4-size page). Please put your name on the back of 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 to ICON PRIOR to the class session in which it will be presented. The feedback / response will be submitted in hard copy form (typed or legibly handwritten) prior to the following class session (1 page maximum)

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.

Class Schedule

The class schedule is subject to change.

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

17	Chapter 16 Country Risk Analysis International Tax	Mini-Case Presentation
18	Chapter 17 Multinational Capital Structure Chapter 18 Long-term Debt Financing	Mini-Case Presentation
19	Chapter 19 Financing International Trade	Mini-Case Presentation
20	Review	
21	Final Examination	

Attendance Policy

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

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

Absences due to illness require a note from the CIMBA Office Staff. If a student is sick and cannot attend class, he/she must inform the CIMBA Staff immediately. Failure to do so will result in an unexcused absence.

Grievance Policy

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 CIMBA Director, Stephanie Schnicker (319-335-0100, stephanie-schnicker@uiowa.edu). The Director will review the details of the complaint and involve the Associate Dean of the Undergraduate Programs, as needed.

Academic Misconduct

The Tippie College of Business has an Honor Code, and you must abide by it in completion of all assignments. Integrity is a reflection of your character and is critical for creating meaningful and lasting relationships. One part of integrity is abstaining from acts like cheating, so cheating on any assignment in this class will result in an appropriate consequence, usually a zero for the grade in question and, if that penalty does not reduce the grade, a penalty of a full letter grade reduction. In addition, all incidents of cheating will be reported to the appropriate academic offices, and the student may be placed on disciplinary probation, be suspended, or even permanently expelled, depending on the severity of the offense. If a student has been found in violation of this policy, they will first be notified directly, then I will report to the appropriate program office. Faculty and students can report Academic Misconduct via the college website. (https://cm.maxient.com/reportingform.php?Univoflowa&layout_id=6)

Accommodating Students with Disabilities/Academic Accommodations

A student seeking academic accommodations such as a modification of seating, testing, timing, etc. should first register with their home institution's Student Disability Services, then contact Joelle Petersen (joelle-petersen@uiowa.edu) in the CIMBA Office to make further arrangements. See <http://sds.studentlife.uiowa.edu> for more information.

Fairness and Freedom of Expression:

Every student is entitled to the same intellectual freedom I have. I will respect that freedom, and I am obliged to protect your freedom to learn, regardless of your religion, race, sex, sexual orientation, gender identity, or political views, or on your agreement or disagreement with my positions pertaining to matters of controversy within the discipline. I will do my best to provide you with a fair and impartial evaluation of your work, consistent with articulated standards for this course.

Sexual Harassment

Sexual harassment subverts the mission of the University and threatens the well-being of students, faculty, and staff. All members of the UI community have a responsibility to uphold this mission and to contribute to a safe environment that enhances learning. Incidents of sexual harassment should be reported immediately. 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 website, www.sexualharassment.uiowa.edu/index.php, and to seek assistance from the CIMBA Director, Stephanie Schnicker, at 319-335-0100 or stephanie-schnicker@uiowa.edu.

Sustainability

The University is committed to demonstrating sustainability practices within all facets of the institution. Student support is critical to our campus wide efforts to reduce waste by consuming as few natural resources as possible and purchasing recycled materials when feasible. Recycling and reuse of all materials is encouraged. Together, let's ensure a better world for us and future generations. Learn more at the Office of Sustainability and the Environment <https://sustainability.uiowa.edu>.

Mental Health

Students are encouraged to be mindful of their mental health and seek help if they are feeling overwhelmed and/or incapable of meeting course expectations. For assistance with the class, students are encouraged to talk to the faculty member. Find out more about the UCS at <http://counseling.uiowa.edu>. The CIMBA travel insurance will cover online counseling services. Please reach out to the CIMBA office for more details and support. After hours, we encourage you to call the emergency phone number at CIMBA or the Johnson County Crisis Line at 319.351.0140 if you are having a mental health emergency.