



## International Finance

FIN4240

Spring, 2023

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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

#### 1) Coursepack

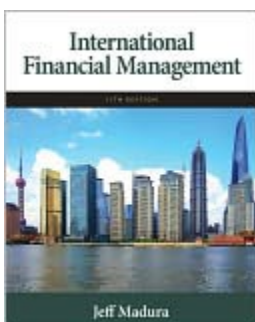
The coursepack provides all the topics we will cover during this course. We will do some numerical problem-solving practice in class, but the best approach to problems is seek out additional problems by using the text (see below) or preferably making up your own patterned upon the materials in the coursepack.

Provided by CIMBA – also posted in ICON.

#### 2) Textbook

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

Provided by CIMBA



This text will serve as a reference only. There will not be specific problems or readings assigned from the text (although reading and practicing problems is strongly encouraged)

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

Be certain to find a study partner early on. Having someone quiz and question you, and in counterpoint, having to explain material to someone else is, by far, the best learning methodology.

## Grading

Interim Tests – 400 points (200 each)

Final – 300 points

Company assessment write-up (group score) – 150 points

Company presentation (group score) – 50 points

Currency Exchange (individual score) – 50 points

Participation – 50 points

For larger classes, which this is not, 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. View this only as guidepost, as these guidelines are unlikely to apply to this class.

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.

Company assessment – As a group, you will choose a MNC. (For ease of information, choose a publicly traded firm that produces a physical product (not a financial services firm or a Big Tech firm). The group will provide a paper (approximately 1500 words) describing:

- 1) The firm, its markets, and its vendors / production
- 2) The international exposures and risks it may face
- 3) Some discussion of how it might deal with those risks

You will make a 10-15 minute presentation with 3-5 slides (excluding title slide) and provide Q&A.

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. The objective of this assignment is to make you very aware of the bid/ask spread and costs of transaction in real life. It differs from place to place and, if you remain unaware, it will cost you a lot of money. Just imagine what it costs a firm trying to do business across borders.

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 after the travel week.

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 timing on this schedule is approximate and subject to change. Every effort will be made to not move the timing of the tests.

Class Session	Topic	Which text chapter(s) contain this topic?
1	Course Introduction and Framework Micro/Macro Review	
2	Micro/Macro Review Why International	
3	Balance of Payments	2
4	Foreign Exchange Markets	3
5	Exchange Rate Movement / Determination	4
6	Exchange Rate Movement / Determination	4
7	Fixed and Floating Currencies – The Impossible Trinity	
8	<b>Test</b>	February 13, 2023
9	<b>Test review / currency exchange</b>	
10	Currency Derivatives Markets	5
11	Currency Derivatives Markets	5
12	Government Influence on Exchange Rates	6
13	Understanding Arbitrage (why interest rates would align)	7,8
14	PPP / IRP	7,8
15	<b>Test</b>	March 14, 2023
16	<b>Test review / personal finance</b>	
17	Exchange Rate Forecasting	9
18	Exchange Rate Exposure	10, 11, 16
19	Capital Structure	17
20	Capital Budgeting	14
21	Company Presentation and Review	
	<b>Final Exam</b>	

Test Dates:

Feb 13

Mar 14

## **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, Cristina Turchet (front office for appointments or phone +39 0423 932160 or [turchet@cimba.it](mailto:turchet@cimba.it) ). 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](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](mailto: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 Program and threatens the well-being of students, faculty, and staff. All members of the CIMBA 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 seek assistance from the CIMBA Director, Cristina Turchet at the front office or phone +39 0423 932160 or [turchet@cimba.it](mailto:turchet@cimba.it).

## **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. 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 if you are having a mental health emergency.