

International Finance
FIN 376, Spring 2019

Instructor:	Dave Martin	Class location:	UTC 1.130
Office location:	CBA 6.222	Class time(s):	MW 2:00 to 3:30 (03540)
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Course Description

The course serves as an introduction to the fundamentals of international financial management and the challenges and opportunities that corporations and investors face in the global economy. The nature of exchange rates and their impact on corporate decisions provide a foundation for discussing corporate strategy and the decision to invest abroad, foreign exchange market equilibrium conditions, and managing exchange risk including hedging strategies. The nature and value of international trade and financial flows are evaluated and the balance of payments concept is discussed. The impact of global taxing regimes on business strategy will be analyzed. Ethical issues encountered in the international arena are also covered as well as principles of business strategy and use of derivative instruments.

Pre-requisites

FIN 357 or 357H

Course Objectives/Learning Outcomes

1. Explain the goals and functions of international financial management in an ethical business environment.
2. Discussion of various issues encountered in the current global environment.
3. Understand the role and function of international financial markets.
4. Discuss how business strategy is influenced by public sector decisions (taxation, etc.) as well as those of the private markets (competitor actions, et al.)
5. Explain the concept of international flow of funds and discuss the factors which impact them.
6. Compute exchange rates and analyze how exchange rates change due to changes in macroeconomic variables.
7. Define and explain the concept of equilibrium exchange rates; understand the fundamentals of arbitrage and hedging.

Required/Recommended Course Materials (textbooks, software, hardware, misc.)

The textbook used will be "Fundamentals of Multinational Finance" by Moffett, Stonehill, and Eiteman (Addison Wesley, 6th Edition). Problems and cases may come from this textbook but class discussion will be supplemented by current events and news articles. For this class, you will need a calculator.

Grade Determination

All exams and other items below will receive a numeric score which is then converted to a percentage score (i.e. $42/50 = 84\%$) and then the weightings below are applied to come up with a weighted percentage score. Given that this is an upper level class, there will not be a firm cutoff for determining letter grades for a given composite percentage score. It is expected that the distribution will be considered and letter grades assigned such that the overall grade point average for the class will be in the range of **3.40 to 3.60**.

Weighting of Items

Mid-term exam 1	20%
Mid-term exam 2	20%
Case assignments (2)	10%
Class Attendance & Prep / In Class Quizzes	5%/10%
Final Exam	35%

The dates for the mid-terms and the due dates for the case assignments are included in the detailed class calendar. The final exam will probably be conducted during the scheduled slot during finals week that is set aside for courses in this time slot. Make-up and extra credit work are not possible for this class.

Mid-term and final exams will use the textbook as the primary source but problems, examples, and topics discussed during class will be included. Final Exam is comprehensive over all topics covered during the semester.

Homework

Questions and problems will be assigned throughout the class. The homework is not going to be collected but select questions and problems may be covered in class (see Class Preparedness above). Stay current in the textbook, read the supplemental articles, and take your homework assignments seriously – this will make classroom discussion more interesting. Obviously, working collaboratively on homework is allowed and encouraged.

Business Case Assignments

There will be two case studies that will be assigned and completed by all students **working individually**. The case write-up will be submitted by the deadline and then the case will be discussed in class.

In-Class Quizzes

There will be three in-class quizzes during the semester. The two highest grades will be utilized to compute your score on these quizzes (i.e. your lowest score is thrown out, or, you can afford to miss one of the quizzes). The quizzes will be short (15-20 minutes maximum) and will be used to test a concept or analytical problem that we have recently covered. It could occur anytime during the class (not necessarily at the beginning) and may not be announced ahead of time.

McCombs Classroom Professionalism Policy for this class

The highest professional standards are expected of all members of the McCombs community. The collective class reputation and the value of the Texas McCombs experience hinges on this.

Faculty are expected to be professional and prepared to deliver value for each and every class session. Students are expected to be professional in all respects. The Texas McCombs classroom experience is enhanced when:

- **Students arrive on time.**
- **Students display their name cards.**
- **Students are fully prepared for each class.**
- **Students respect the views and opinions of their colleagues. Disagreement and debate are encouraged but intolerance for the views of others displays a lack of leadership skills.**
- **Laptops are minimized – multi-tasking allowed as long as students engage in discussion.**
- **Phones, tablets and wireless devices are turned off and put away.**
- **Unscheduled personal breaks are minimized.**

Academic Integrity

Dishonest students lose the respect of their classmates. As the instructor for this course, I agree to observe all of the faculty responsibilities described in the Honor System. The responsibilities for both students and faculty with regard to the Honor System are described on the UT BBA website.

The Honor Pledge

The University of Texas at McCombs School of Business requires each enrolled student to adopt the Honor Pledge:

“I affirm that I belong to the honorable community of The University of Texas at Austin McCombs School. I will not lie, cheat or steal, nor will I tolerate those who do. I pledge my full support to the Honor System. I agree to be bound at all times by the Honor System and understand that any violation may result in my dismissal from the McCombs School of Business.”

Case assignments due PRIOR to class on dates indicated

Semester Class Calendar

(All assignments from Fundamentals of Multinational Finance, 6th Edition)

Jan 23	Overview – Multinational Financial Management Reading: Chapter 1 Questions: 1, 5, 6, 7, 8, 12, 13 Problems: 1, 2, 3, 6, 7, 11
Jan 28	International Monetary System
Jan 30	Reading: Chapter 2 Questions: 1, 2, 4, 5, 9, 10, 11, 15, 18 Problems: 1, 3, 4, 7, 9
Feb 4	Balance of Payments
Feb 6	Reading: Chapter 3 Questions: 1, 3, 4, 5, 6, 8, 10, 12, 13, 15, 16, 19, 22, 23 Problems: 10 through 14, 20 through 25
Feb 11	Financial Goals and Corporate Governance
Feb 18	***Tariffs, Trade Wars, Brexit – Due Before Class on Feb 18****
{Feb 13	*****NO CLASS*****} Reading: Chapter 4 Questions: 2, 3, 4, 5, 8, 11, 12, 14, 15 Problems: 2, 3, 4, 7, 8, 13
Feb 20	Foreign Direct Investment and Political Risk
Feb 25	Reading: Chapter 17 Questions: 1, 3, 5, 6, 9, 10, 11, 12, 18, 20, 27 Problems: None
Feb 27	Review for Mid-term 1
Mar 4	Mid-Term 1 Exam (in class)
Mar 6	Multinational Tax Management
Mar 11	Reading: Chapter 15 Questions: 2, 4, 5, 6, 7, 8, 11, 12, 15, 18, 21, 22 Problems: 5, 6, 7
Mar 13	Foreign Exchange Market
Mar 25	Reading: Chapter 5 Questions: 2, 3, 4, 5, 7, 8, 10, 13, 14 Problems: 1, 2, 3, 5, 10, 12, 13, 15, 16, 20
Mar 27	International Parity Conditions
Apr 1	***Mrs. Watanabe and the Japanese Yen Carry Trade – Due Before Class April 3rd**** Reading: Chapter 6 Questions: 1, 2, 3, 5, 6, 7, 9, 10, 13, 14, 16, 17, 19 Problems: 1, 2, 4, 6, 7, 12, 17, 19

- Apr 3 **Foreign Currency Derivatives: Futures and Options**
 Apr 8 Case Due Before class on April 3rd
 Reading: Chapter 7
 Questions: 1, 2, 4, 6, 7, 8, 10, 13, 15, 16, 18
 Problems: 1, 2, 4, 6, 9, 11
- Apr 10 Review for Mid-term 2
 Apr 15 **Mid-term 2 Exam (in class)**
- Apr 17 **Interest Rate Risk and Swaps**
 Apr 22 Reading: Chapter 8
 Questions: 1, 2, 3, 4, 5, 8, 10, 15, 17, 18
 Problems: 1, 3, 5, 6, 8, 11
- Apr 24 **Foreign Exchange Rate Determination and Intervention**
 Reading: Chapter 9
 Questions: 1, 2, 3, 4, 5, 8, 9, 11
 Problems: 3, 7, 8
- Apr 29 **Transaction Exposure and Hedging**
 May 1 Reading: Chapter 10
 Questions: 1, 3, 4, 7, 8, 13, 14, 18
 Problems: 1, 3, 4, 6, 10, 11
- May 6 **Operating Exposure and Hedging**
 Reading: Chapter 12
 Questions: 1, 2, 11, 13, 15, 16
 Problems: 1, 2, 3, 4, 5
- May 8 Review for Final Exam

Final exam held during finals week in time slot assigned to courses which are MW at 2:00

During class, I will provide additional guidance on the most important sections of each chapter. Supplemental readings will be assigned or discussed – primarily current topics from newspapers and magazines. It is the student’s responsibility to determine what has been missed if they do not attend a class.

Important Notifications

Students with Disabilities

Students with disabilities may request appropriate academic accommodations from the Division of Diversity and Community Engagement, Services for Students with Disabilities, 512-471-6259, <http://diversity.utexas.edu/disability/>.

Religious Holy Days

By UT Austin policy, you must notify me of your pending absence at least fourteen days prior to the date of observance of a religious holy day. If you must miss a class, an examination, a work assignment, or a project in order to observe a religious holy day, you will be given an opportunity to complete the missed work within a reasonable time after the absence.

Policy on Scholastic Dishonesty

The McCombs School of Business has no tolerance for acts of scholastic dishonesty. The responsibilities of both students and faculty with regard to scholastic dishonesty are described in detail in the BBA Program's Statement on Scholastic Dishonesty at <http://my.mcombs.utexas.edu/BBA/Code-of-Ethics>. By teaching this course, I have agreed to observe all faculty responsibilities described there. By enrolling in this class, you have agreed to observe all student responsibilities described there. If the application of the Statement on Scholastic Dishonesty to this class or its assignments is unclear in any way, it is your responsibility to ask me for clarification. Students who violate University rules on scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course and/or dismissal from the University. Since dishonesty harms the individual, all students, the integrity of the University, and the value of our academic brand, policies on scholastic dishonesty will be strictly enforced. You should refer to the Student Judicial Services website at <http://deanofstudents.utexas.edu/conduct/> to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.

Campus Safety

Please note the following recommendations regarding emergency evacuation, provided by the Office of Campus Safety and Security, 512-471-5767, <http://www.utexas.edu/safety>:

- Occupants of buildings on The University of Texas at Austin campus are required to evacuate buildings when a fire alarm is activated. Alarm activation or announcement requires exiting and assembling outside.
- Familiarize yourself with all exit doors of each classroom and building you may occupy. Remember that the nearest exit door may not be the one you used when entering the building.
- Students requiring assistance in evacuation should inform the instructor in writing during the first week of class.
- In the event of an evacuation, follow the instruction of faculty or class instructors.
- Do not re-enter a building unless given instructions by the following: Austin Fire Department, The University of Texas at Austin Police Department, or Fire Prevention Services office.
- Behavior Concerns Advice Line (BCAL): 512-232-5050 (or <https://operations.utexas.edu/units/csas/bcal.php>).
- Further information regarding emergency evacuation routes and emergency procedures can be found at: http://www.utexas.edu/emergency_