

International Finance

COURSE DETAILS

Course Designator and Number: BCLA 4622W

Number of Credits: 3

Language of Instruction: English

Contact Hours: 45

Instructor: On-Site Faculty

COURSE DESCRIPTION

The International Finance module provides an understanding of finance in the international context. In a globally integrated world, it has become imperative to trade, invest, and conduct business operations internationally. This course exposes students to the opportunities and risks associated with international finance. As the world has become more integrated due to deregulation of financial markets, product innovation, and technology, capital markets have kept pace with this integration. Building upon the understanding of theoretical concepts of finance and their adaptation to the international context, the study of international finance has become essential. The course coverage includes historical perspectives and foundations of international finance, the foreign exchange markets and exchange rate determination, exposure management, and financial management of the multinational firm. The course also helps students examine the current economic landscape through discussions of current economic and political development and their impact on international finance.

With its global presence, CAPA offers students the opportunity to enrich their academic experience by exposing and exploring the localized context of the CAPA Barcelona Centre. Barcelona is a member of the Eurozone (countries using the Euro currency), and it has deep economic and financial links with other European countries.

Course Objectives

The broad aims of the course are to provide students with the necessary understanding of how international financial markets work, how exchange rates and why currency values fluctuate, and how to manage risk in global markets. In addition, the course will support student learning through site visits to cultural and financial centers and provide an in-depth understanding of the process and techniques used to make international investment decisions.

Learning Outcomes

After taking this course, students should be able to:

1. Gain a broad understanding of the key issues in international finance
2. Develop an understanding of the political and economic context within which international finance operates
3. Apply the various theoretical aspects of the principles of finance in an international context
4. Gain a good working knowledge of the operations and key issues surrounding international capital flows, foreign direct investment, foreign exchange rate determination and exposure management, international capital markets and institutions; develop an understanding of how the financial management of a multinational firm works

Developmental Outcomes

Students will develop the following skills during this course:

1. Problem analysis
2. Critical thinking
3. Working independently and as part of a team
4. Personal reflection
5. Goal orientation
6. Self-confidence

Methodology

This class will be participatory and will require students to contribute individually and as part of a team. The course content and delivery will create a framework where students reflect critically on the weekly discussion topics. The students will be expected to devote an hour per day to keep up with the current issues in international finance (expected reading sources should include *The Economist*, the *Financial Times*, and *The Wall Street Journal*). The teaching and learning methods will be a blend of the following:

1. Lectures
2. Reflections & observations
3. Readings on current topics
4. Class discussions
5. Student presentations and/or a research paper

Field Components

CAPA provides the unique opportunity to learn about the city through direct, guided experience. Participation in field activities for this course is required. Students will actively explore the global city in which they are currently living. Furthermore, they will have the chance to collect useful information that will be an invaluable resource for the essays/papers/projects assigned in this course.

Foreign exchange markets have a global turnover of approximately \$5 trillion daily. As part of this course, field trips will be arranged to the hubs of international finance in Barcelona.

Course Prerequisites

Students must have a business background and have taken an introductory finance course. The course emphasizes this academic area from a global perspective. Students with a high degree of motivation and desire to learn about the international and global aspects of business will benefit from this course.

Required Readings/Materials

- Eun, C., and B. Resnick (2014), *International Finance*, 7th global edition. McGraw-Hill.
- It is fine to use later editions or online versions of the textbook. Students can obtain used copies of the book online at a substantial discount. The book is also available for electronic download through the publisher.
- The international financial sections of *The Wall Street Journal*, *Business Week*, *The Economist*, and the *Financial Times* are recommended reading for this course. Students should either have a subscription or access to a copy of these publications. Other readings relevant to the subject matter being discussed will be assigned during the semester. References taken from Wikipedia are not acceptable.

Recommended Readings

- Use will be made of selected excerpts and handouts drawn from Journal, magazine and newspaper articles on current events, and PowerPoint slides prepared by the authors of the textbooks and by the instructor. These will be distributed and discussed in class throughout the course's duration.

Grading

Grading Rubric

Letter grade	Score or percentage	Description
A	93–100	Achievement that is outstanding relative to the level necessary to meet course requirements.
A-	90–92	Achievement that is significantly above the level necessary to meet course requirements.
B+	87–89	
B	83–86	
B-	80–82	Achievement that meets the course requirements in every respect.
C+	77–79	
C	73–76	
C-	70–72	Achievement that is worthy of credit even though it fails to meet fully the course requirements.
D+	67–69	
D	60–66	
F	0–59	Represents failure (or no credit) and signifies that the work was either (1) completed but at a level of achievement that is not worthy of credit or (2) was not completed and there was no agreement between the instructor and the student that the student would be awarded an I.

Summary of How Grades Are Weighted

Assignments	Percentage of grade
Class participation / small group discussion	10%
Midterm exam: Short questions (5%) and/or essay (15%)	20%
Group oral presentation (15–20 minutes)	20%
Individual research paper	20%
Final exam: Short questions (10%) and/or essay (20%)	30%
Overall grade	100%

Assessment Details

The midterm and final exam consist of either short questions with open answers on topics covered in class to date (45 minutes) and/or short essay writing on thematic clusters (2 hours). More elaboration and instructions will be provided by the Instructor after the first week of classes.

Students must complete all required components for this course by the established deadlines. Failure to do so will result in a reduction of the course grade and may result in a grade of F for the course in question.

Research Paper and Class Presentation Assessment Guidelines

Class Presentations: Week 12

Submission Deadline: Week 13

Students should provide an outline of their essay, the theoretical background, data and findings of their case study, and the conclusions. Please note that this presentation is a group effort and should be limited to 10 slides and 15 minutes (max). There will be a Q&A session

following the presentation. Students will be given feedback on their presentations and will be expected to incorporate this feedback into their final research paper submissions.

Research Paper Guidelines

Students should select any one of the topics that we will be covering in this course. They should bear in mind that these topics/chapters are rather broad, and they will need to narrow down their research topic significantly. They should identify a small aspect of the theoretical discussion that interests them and focus sharply on it. In other words, students should not be providing a general overview of the chapter(s).

The next step is for students to identify a case study or identify sufficient data that fits their selected topic. They may choose current or recent economic/financial events, or alternatively examine such event(s) from a historical perspective. The course outline provides ample guidance on sources of such data. Students should not start with a case study and then try to find the theoretical basis for it; this will not be efficient.

The final step will be to provide a thorough analysis. How does the case study or evidence fit into the theoretical discussion? Are the facts consistent with the theory? Students should explain why (or why not). What lessons did they learn from this project? This analysis will carry the highest weight for this assignment.

To obtain an A grade, the submission will have to meet ALL three requirements: (1) theoretical discussion; (2) good presentation of case study; and (3) thorough analysis. Any submissions that do not meet all the criteria will be downgraded.

All papers may be written in a style with which students are comfortable, writing in either first or third person. If it helps students' expression and organization of ideas, they may use headings to aid the structure. However, whatever style is adopted, students should remember that this is an academic assignment, and you should cite references to all sources where appropriate. In the body of the text, references should state in parentheses the author's last name followed by the year of the reference's publication (e.g., Smith, 2013). At the end of the paper, students must include a bibliography containing only those works cited in the essay.

Students will provide two status updates through the term (Weeks 6 and 11) on the progress they have made to date on their projects. These updates can either be an oral or a written brief report, which will enable the instructor to provide them with the necessary guidance and feedback. It is important that students come well prepared for these status updates.

Localized Context

Students are required to identify relevant research paper topics within the localized context of Spain and Europe to benefit from their presence in Barcelona, Spain, and Europe. These research paper topics should be discussed with the instructor in advance. Preparatory work would include developing good reading sources such as the *Financial Times*, *The Economist*, and *The Wall Street Journal* to gain a better understanding of the localized context.

COURSE CONTENT

Unit 1

Introduction to International Finance

- Introductions, student interests, relevant prior coursework and experience
- Course map, format, required work and assessments
- Review of research paper guidelines—detailed guidelines posted in this syllabus
- Chapter 1

Unit 2

International Monetary System and Balance of Payments

- Historical perspectives of the International Monetary System
- Gold standard
- Exchange rate regimes – pegs, fixed, floating, currency boards, etc.
- The Euro and European Monetary System
- Review of historical currency crises
- Overview of Balance of Payments
- Chapters 2 and 3

Unit 3

Foreign Exchange Markets, Exchange Rate Determination, and Currency Derivatives: Part 1

- Function and structure of the foreign exchange market
- International finance in practice—market mechanics
- Spot and forward rate determination
- Interest rate parity
- Chapters 5 and 6

Unit 4

Foreign Exchange Markets, Exchange Rate Determination, and Currency Derivatives: Part 2

- Interest rate parity (continued)
- Purchasing power parity and International Fisher Effect
- Forecasting foreign exchange rates

- Foreign exchange futures and options
- Other hedging strategies—money market hedge
- Carry trades
- Chapters 5, 6, and 7

Unit 5

Midterm Exam

Unit 6

World Financial Markets and Institutions: Part 1

- International banking and money markets
- International bond markets
- International equity markets
- Research paper: first status update
- Chapters 11, 12, and 13

Unit 7

Field Study

- Guest lecturer or field study activity: Details TBD by instructor

Unit 8

World Financial Markets and Institutions: Part 2

- Interest rate and currency swaps
- International portfolio investment
- Chapters 14 and 15

Unit 9

Foreign Exchange Exposure and Management

- Management of economic, transaction, and translation exposure
- Chapters 8, 9, and 10

Unit 10

Financial Management of the Multinational Firm: Part 1

- Foreign direct investment and cross-border acquisitions
- International capital structure and the cost of capital
- Research paper: second status update
- Chapters 16 and 17

Unit 11

Financial Management of the Multinational Firm: Part 2

- International capital budgeting
- Multinational cash management
- Group presentations limited to 10 slides and 15 minutes max
- Chapters 18 and 19

Unit 12

Financial Management of the Multinational Firm: Part 3

- International trade finance
- International tax environment and transfer pricing
- Course review—what have we learned?
- Individual research paper submission deadline
- Chapters 20 and 21

Unit 13

Final Exam

POLICIES

Attendance Policy

Students are expected to be on time and attend all classes while abroad. Many instructors assess both attendance and participation when assigning a final course grade. Attendance alone does not guarantee a positive participation grade; the student should be prepared for class and engage in class discussion. See the on-site syllabus for specific class requirements.

University of Minnesota Policies & Procedures

Academic integrity is essential to a positive teaching and learning environment. All students enrolled in University courses are expected to complete coursework responsibilities with fairness and honesty. Failure to do so by seeking unfair advantage over others or misrepresenting someone else's work as your own can result in disciplinary action. The University Student Conduct Code defines scholastic dishonesty as follows:

Scholastic Dishonesty

Scholastic dishonesty means plagiarizing; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; altering forging, or misusing a University academic record; or fabricating or falsifying data, research procedures, or data analysis.

Within this course, a student responsible for scholastic dishonesty can be assigned a penalty up to and including an "F" or "N" for the course. If you have any questions regarding the expectations for a specific assignment or exam, ask.

Student Conduct

The University of Minnesota has specific policies concerning student conduct. This information can be found on the Learning Abroad Center website.