

International Corporate Finance, FIN3580
College of Business Administration, UMSL
Fall 2019

Gaiyan Zhang, Ph.D.

zhangga@umsl.edu

Lecture hours: Monday/Wednesday: 2:00pm-4:30pm

Room: ABH 001

Office: ABH 235

Phone: (314) 516-6269

Office hours: by appointment.

Reading and homework assignments will be assigned at the end of each class and will depend on the progress of the class.

Course Description:

This course explores corporate finance in the context of a global environment. Financial managers for an international firm must deal with all the normal problems faced by domestic corporations plus additional foreign exchange and political risks. Class discussions will focus on applying financial techniques to decision making in foreign operations. Students are required to work in a group to undertake a project related to international finance.

Course Objective:

This course examines the foreign exchange markets and how they shape the environment within which corporate wealth-maximizing decisions are made. The course is designed for upper-division undergraduate students who have a good understanding of basic economics, corporate finance and asset valuation. As capital markets of the world are becoming more integrated, a solid understanding of international finance has become essential for corporate decision making. This course focuses on various financial issues facing multinational corporations, the most important of which is the management of *foreign exchange risk*.

First we will examine the environment of multinational financial management, including: international financial markets, economic determinants of exchange rates, international monetary system and emerging market crisis, balance of payments, and international parity conditions. Then we will discuss foreign exchange derivatives and how multinational companies (MNCs) manage their translation, transaction and economic exposures to exchange risk.

Required Text:

Cheol Eun and Bruce Resnick, International Financial Management, Edition: 8. ISBN-13: 978-1259717789 ISBN-10: 125971778X

Recommended Readings:

Regular outside readings will enhance the understanding of the subject, and it is highly recommended. Students are encouraged to read the following regularly:

Newspapers: *Financial Times*; *The Wall Street Journal*; *BusinessWeek*

Magazines: *The Economists; Euromoney; Business Week; The Far Eastern Economic Review*

Home Page:

We will be providing all course related items (syllabus, lecture notes, announcements etc.) on Canvas(<https://umsl.instructure.com/courses/>). You must log in to access FIN3580 course materials.

Grades:

Your overall course grade will be based on your performance on two exams, exercise and quizzes, the final project and presentation, and your class participation. Each graded item has the following assigned points. These relative weights of each graded item will determine your final grade.

Types	Percentage
Test	50%
Test 1	25%
Test 2	25%
Assignment	20%
Mini-case presentation	4%
Final project paper	10%
Final project presentation	6%
Participation	10%
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Total	100%

Letter grades will be based on the final total points. Plus and minus grades will be given. To mitigate the ‘free-rider’ problem, you must earn an average grade of A in examinations in order to receive an A in the course. In marginal cases I intend to reward high quality (consistent, constructive and contributory) class participation.

"Make-up or extra work" to improve your grade is *not* possible. Your final letter grade is determined solely by your scores on the tests, the final project, and my evaluation of your class participation. No special considerations concerning your general academic situation can be offered. The final grade in the course, once assigned, will not be changed except in the event of a recording error.

Test:

Two tests will be held. Students are expected to take the exams when they are scheduled. No make-up exams will be given without legitimate excuses and proof. If the legitimate excuses are foreseeable, they must be submitted two weeks prior to the scheduled exam. If they are unanticipated such as medical emergencies, you should be able to produce documentation if asked. Requests for excuse from a test must be made *in writing* (email is OK) and, except for extreme emergencies, prior to the test. *Students missing any test or failing to turn in Final Project will result in withdrawal from the class or an ‘F’ grade.*

Project & Presentation:

There is a final research project worth 16 points of the total. I will assign a list of topics and each

group should select a topic of your interest. A significant portion of project grade depends on the application of tools and skills within the framework of this course to your research project. In general, the following guidelines will apply to all case studies and the final project:

- a. You are responsible for selecting members of your group. Your group is required to submit a written paper, which is 20+ pages long (including figures, graphs, and reference). The paper should be typed, numbered and double-spaced. Each part of the paper should be written by different members of the group (with each member's name posted at the last page of the paper for the part she/he is responsible for). Thus, it is important that the final paper should have one writing style, no grammatical errors, self-contained, and logic. Make sure that you credit works you have cited.
- b. The group will make a 15+ minute presentation toward the end of the semester. Each group will develop powerpoint slides for presentation. Each member of the group should present his portion of work in front of the class. It is helpful if you think of your team as a consulting firm. Like any consulting assignment, your report should be organized, logic and cohesive as if you were actually presenting it to your client. The evaluation of the presentation is primarily based on substance and partly on style. Reading materials directly from the note cards will hurt your presentation grades.
- c. While groups provide opportunity for team-based learning, they also create significant potential for "free rider" problem. In general, each group member will receive the same grade for the group project. However, I reserve the rights to assign different grades when a severe free rider problem is identified. Do not complain to me about group members behind their backs. If a problem arises, find a way to discuss the problem directly with the individual. If a serious problem arises that you have not been able to successfully address with the individual, make an appointment with me and the entire group in order to find a successful route forward.
- d. On the due day, each group should submit your completed final paper and the powerpoint presentation slides via canvas, as well as a hard copy to me during the class. Late submission will be given penalty.

Participation:

You will truly benefit from this class only if you are an active participant in the course. Your insights and comments also add value to the quality of the class. I want to encourage your full participation by reserving part of the overall course grade to reward this participation. Attendance will be taken periodically. My evaluation will be based on how well you have prepared for the course material prior to class, and how well you reflectively comment and participate in class discussions. Points awarded are based on *my* opinion of your efforts. These points are not automatically given, but must be *earned*. They are not subject to negotiation.

Study Guidelines:

Before class: Review each topic's lecture notes (posted on my gateway) prior to class to familiarize you with the flow of the class discussion. You should also review the text readings for the class and read any assigned supplemental readings.

During class: Keep up with the discussion. If you don't understand something, ask me to go over it in more detail. If you have a comment, please share it. When you ask questions, speak loud to be heard by the whole class. When you leave class you should have a comfortable

understanding of the major points that we made, and the purpose of each example worked.

After class: Do the detailed reading of the chapter. Pay particular attention to the examples, graphs and other aids that make the major points of the chapter. Then, attempt the questions and problems that I assign. Regular readings each week is important.

Ask yourself such questions as:

What is the purpose of this concept or formula?

Why is it important?

How does the instructor or author demonstrate its importance?

How does it "fit" with what you have studied thus far in this course and in your other courses.

I will discuss the major elements of the chapter and integrate it with other course material. Some topics that are very important (for example, international parity conditions) are covered in great detail, while others will only be reviewed briefly due to time constraint. The Powerpoint slides and class notes contain the important points in this course. Use them as a guide for your studying efforts. You should thoroughly work through the questions and problems associated with each topic. Working the problems ensure you truly understand the processes they illustrate.

General Comments:

- a. Attend class and actively participate. If you anticipate job, family or health problems resulting in a high likelihood of your absence for more than two classes during the semester, you should consider taking the class at an appropriate time.
- b. If you miss a class, or come late, it is entirely your responsibility to determine what you have missed, including any administrative announcements I may have made.
- c. Bring your calculator to class and USE it. All mobile phones MUST be switched off during the class. NO texting or online chatting during the class. If you need to use a computer to take notes, please discuss with me.
- d. Print slides before each class. Do all assigned readings and homework questions for your benefits.
- e. Our conduct in this course will be consistent with the Student Conduct Code. Please read it and pay particular attention to the section on academic honesty. During exam you have to rely entirely on your own intellectual endowments. There are serious consequences including failing grade and additional sanctions for engaging in unethical conduct.

Academic Integrity/Plagiarism

Our conduct in this course will be consistent with the Student Conduct Code. Please read it and pay particular attention to the section on academic honesty. During exam you have to rely entirely on your own intellectual endowments. There are serious consequences including failing grade and additional sanctions for engaging in unethical conduct.

- You are responsible for being attentive to and observant of University policies about academic honesty as stated in the University's Campus Policies and Procedures in the [Triton Manual](#) (p. 30)
 - Academic dishonesty is a serious offense that may lead to probation, suspension, or [dismissal from the University](#). One form of academic dishonesty is plagiarism – the use of

an author's ideas, statements, or approaches without crediting the source. Academic dishonesty also includes such acts as cheating by using any unauthorized sources of information and providing or receiving unauthorized assistance on any form of academic work or engaging in any behavior specifically prohibited by the faculty member (e.g., copying someone else's answers on tests and quizzes). Unauthorized possession or distribution of academic materials is another type of academic misconduct. It includes the unauthorized use, selling or purchasing of examinations or other academic work, using or stealing another student's work, unauthorized entry or use of material in a computer file, and using information from or possessing exams that an instructor did not authorize for release to students. Falsification is any untruth, either verbal or written, in one's academic work. Facilitation is knowingly assisting another to commit an act of academic misconduct.

Plagiarism, cheating, and falsification are not acceptable.

- All instances of academic dishonesty will be reported to the Office of Academic Affairs who will determine whether you will appear before the Student Conduct Committee for possible administrative sanctions such as dismissal from the university. The instructor will make an academic judgment about the student's grade on that work in this course. The campus process regarding academic dishonesty is [described in the "Policies" section of the Academic Affairs website.](#)

Access, Disability and Communication

Your academic success is important. If you have a documented disability that may have an impact upon your work in this class, please contact Disability Access Services (DAS) immediately. Students must provide documentation of their disability to the office of Disability Access Services in order to receive official University services and accommodations. The staff is available to answer questions regarding accommodations or assist you in your pursuit of accommodations. Information about your disability is confidential. Once DAS reviews your medical documentation, they will provide you with the information and steps to inform me about the accommodations to which you are entitled. Your accommodations will begin as soon as we discuss your approved accommodations.

- 144 Millennium Student Center
- Phone: (314) 516-6554
- [Email](#)
- [Website](#)

Course Schedule

(subject to modification at the discretion of the instructor)

Module #	Dates	Lectures	Readings	Assignments (Due date) points	Final Project divided into Section
Module 1:	8/19 8/21	Lecture 1: Introduction Lecture 2 Determinants and impacts of exchanges rates	Chapter 1	1. Module 1 Assignment (8/25) 4 pts 2. Mini-presentation homework (8/28)	Select topics for your final project
Module 2:	8/26 8/28	Lecture 3: Balance of Payments Lecture 4: Mini-presentation! International Monetary System & Emerging Market Crisis	Chapter 2, 3	Module 2 assignment (9/1) 2 pts	Search and read relevant materials
Module 3:	9/2 9/4	No class (Labor's Day) Lecture 5: Foreign Exchange Markets	Chapter 5	Module 3 assignment (9/8) 3 pts	Make an outline of the final paper and seek advice from peers and instructor
Module 4:	9/9 9/11	Lecture 6: International Parity Conditions (1) Lecture 7: International Parity Conditions (2)	Chapter 6	Module 4 assignment (9/13) 4 pts	
Module 5:	9/16	Midterm-Exam			
	9/18	Lecture 8: Currency Futures, Options and Swaps	Chapter 7, 14	Module 5 assignment (9/22) 3 pts	Begin writing a preliminary draft
Module 6:	9/23 9/25	Lecture 9: Managing Operating Exposure Lecture 10: Managing Transaction Exposure Lecture 11: Managing Translation Exposure	Chapter 9 Chapter 8, 10	Module 6 assignment (9/29) 4 pts	Continue writing the draft and seek advice from peers and instructor
Module 7:	9/30 10/2	Lecture 12: International Banking, Money and Bond Market Lecture 13: International Equity Markets & International Portfolio Diversification	Chapter 11,12, 13, 15		Finalize the paper, make last adjustments, and make presentation slides
Module 8:	10/7 10/9	Final Project presentation Final Exam			Submit the paper and presentation PPT