

**International Corporate Finance, FIN6580**  
**College of Business Administration, UMSL**  
**Spring 2017**

**Gaiyan Zhang, Ph.D.**

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*Lecture hours:* Wednesday: 5:30pm-8:10pm

Room: Social Science Building (SSB) 202

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*Office hours:* Wednesday 4:30-5:30pm or by appointment.

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

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**Course Description:**

FIN6580 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.

**Course Objective:**

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, ISBN-13: 978-0077861605  
ISBN-10: 0077861604 | Edition: 7

**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 MyGateWay. You must log in to <http://MyGateWay.umsl.edu> to access FIN6580 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	54%
Test 1	27%
Test 2	27%
Project and presentation	15%
Exercises	23%
Participation	8%
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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 15 points of the total. 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 20-25 pages long. The paper should be typed 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.
- b. The group will make a 20 minute presentation of the research materials toward the end of the semester. Each member of the group should present his portion of work in front of the class. Class presentation should be logic and cohesive. You should show understanding of the topic. Reading materials directly from the note cards will hurt your presentation grades. The evaluation of the presentation is primarily based on substance and partly on style. It is helpful if you think of your team as a consulting firm. Like any consulting assignment, your report should be organized and structured as if you were actually presenting it to your client.
- 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. The final paper will be typed, numbered, and double-spaced. Make sure that you credit works you have cited. Each group will develop power point slides for presentation. On the due day, each group should submit your completed final paper and the powerpoint presentation slides via email, as well as a hard copy of each to me during the class. Late submission will be given serious penalty.

### **Exercises and Mini-presentation:**

There will be 7 exercises to be completed in class (each worth 3 points) and the one with the lowest score is dropped. There is one additional in-class mini-presentation worth 5 points.

### **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 at the start of class. 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.
- 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.

## Course Schedule\*

Date (Wednesdays)	Topics
Jan. 18	Lecture 1: Introduction (Chapter 1)
Jan. 25	Lecture 2: Determinants and impacts of exchanges rates, central bank intervention
Feb. 3	Lecture 3: Balance of Payments (Chapter 3)
Feb. 8	Lecture 4: International Monetary System & Emerging Market Crisis (Chapter 2)
Feb. 15	Lecture 5: Foreign Exchange Markets (Chapter 5)
Feb. 22 & Mar. 1	Lecture 6 and 7: International Parity Conditions (Chapter 6)
Mar. 8	Exam One
Mar. 15	Lecture 8: Currency Futures, Options and Swaps (Chapter 7 and 14)
Mar. 22	Lecture 9: Managing Operating Exposure (Chapter 9)
Mar. 29	Spring break
Apr. 5	Lecture 10: Managing Transaction Exposure (Chapter 8)
Apr. 12	Lecture 11: Managing Translation Exposure (Chapter 10)
Apr. 19	Lecture 12: International Banking, Money and Bond Market (Chapter 11,12)
Apr. 26	Lecture 13: International Equity Markets & International Portfolio Diversification (Chapter 13, 15)
May 3	Final project presentation
	Exam Two

\*The schedule is subject to change depending on the progress of the class.