Course Name: Finance Seminar (PMBA), BA 6590
International Financial Management
University of Missouri-St. Louis
Fung Section, Mar -May 2015

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Class Time: Friday/Saturday, 8:30-12:30
Venue: 104 Express Scripts Hall
Office: Tower 1113, UMSL

Course Description: This is an international financial Management Class that deals with financial management issues in international context.

REQUIRED MATERIALS

Text:
(1) G. Dufey and I.H. Giddy, Cases in International Finance, second edition, Addison-Wesley Publishing company (DG).
(2) Fung, Hung-Gay, Glen Ko, and Jot Yau (FKY), Dim Sum Bonds: The offshore RMB-denominated bonds, 2014, John Wiley
(3) supplementary cases (*)

RECOMMENDED READINGS


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

Newspapers: The Wall Street Journal and/or The Financial Times

Magazines: Global Finance
The Far Eastern Economic Review
The Economists
Euromoney or Asia Money
OBJECTIVE OF THE COURSE:

The objective of this course is to introduce students to international financial management issues, concepts and tools. This is a specialized course dealing explicitly with global financial decision-makings facing the financial manager of a multinational firm. Conceptual skills for life-learning experiences are emphasized.

This course employs a lecture and case format to expose students to international financial and financial management issues, including financing, investment and exchange risk management. This course relies heavily on group discussions and term building.

COURSE SCHEDULE

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<tr>
<th>DATE</th>
<th>CLASS</th>
<th>TOPIC -CHAPTER/CASES</th>
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<tbody>
<tr>
<td>03/27 (F) 2</td>
<td>Parity Conditions and Exchange Rate Forecast Balance of Payments/International, Economic Linkages, Foreign Exchange Market FKY, Chapter 7. Articles on FX manipulation Short case 22 (DG): Bookwell’s financing choices Metha and Fung, Chapter 3 Options and Futures, Mehta and Fung, chapter 6</td>
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PEDAGOGY

I believe in active learning. Active learning requires your active participation and involvement in all aspects of learning opportunities I have created for you in this course. You have opportunities to learn from me and your colleagues via multiple means of instruction: assigned reading, lecture, class discussion, group case analysis, presentation and research paper, daily newspaper reading, and in-class exams. In order to provide a theoretical framework for analyzing financial decisions in an international setting, classes would follow a more structured format – formal lectures before the midterm exam. The first half of the course concentrates on introducing the intricacies involved in the management of currency risk in international foreign exchange markets. The second half of the course focuses on the application of currency risk management concepts and techniques in conjunction with the financing and investment decisions of a multinational corporation.

Underlying active learning that makes my teaching and your learning to achieve maximum effectiveness are two necessary ingredients: your preparation before class and your participation in class. Thus, I would ask you to come to class prepared by reading the relevant chapters and notes which will be posted on the course website before class. You should also attempt as many end-of-
chapter problems as you can. Active learning also involves active participation in class discussions. With your participation, I can gauge our progress and your level of understanding and adjust accordingly in order for you to achieve maximum learning effectiveness. For the first half of the term, pedagogically we rely more on the use of exercises (numerical problems). We will also discuss current events with the aid of The Wall Street Journal to encourage open discussions. At the beginning of each class, we spend about 15 minutes in discussing the current events that may be of interest to us. You are welcome to send me events that pique your interest before class. I will try to incorporate the most relevant ones as soon as possible in our discussion.

After the mid-term exam, we rely primarily on cases. We focus on the application of the theoretical framework to analyze the specific topics in international financial management under realistic situations. Each week, we will go over the topics/chapters that are relevant for the case that will be presented in the following week. Typically, I highlight the important concepts as well as explain the specifics that deserve attention in preparing the cases.

GRADE DETERMINATION:

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<th>Component</th>
<th>Percentage</th>
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<tr>
<td>Take home exam</td>
<td>35%</td>
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<tr>
<td>Class presentation/analysis</td>
<td>35%</td>
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<tr>
<td>Online projects</td>
<td>30%</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
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Note: Project Assignments (5-10 page write-up for each project) includes:
1. Report of Missouri/US trade
2. Report on Analyzing foreign direct investment in the US and Missouri

Students often claim they did not show how much they knew on the test. Alternatively, they may indicate that they studied "real hard" but just could not grasp the material before exams. Having been a student for over 20 years myself, I am sure that such sentiments have a certain amount of validity. But, under the present system, I must say that the points are really irrelevant. I have no better measure of performance by effort rather by result. Therefore, to be fair to everybody, grades are based on performance -- not "knowledge" or effort. Accordingly, one's efforts should be directed toward achieving the maximum performance relative to potential and input.

Your final grade then depends on the distribution of the weighted average scores. What course grade you will get depends on your performance during the quarter relative to your peers. The advice that I can offer you now is:

"QUANTUM POTES, TANTUM Aude"
Case Study Preparation

Purpose:

The purpose of a case study is to provide students a scenario whereby given the limited information a decision has to be made. In reality, limited information is always a constraint on the financial manager. The critical element in the decision making process is that how the financial manager can fully utilize the available resources to make a logical decision.

Assume you are the CFO or CEO; you then make the decision.

Given the limited information, the most important problem is to identify the problem first. Once the problem is identified, the next step is to analyze the problem in order to have solution. In the process, assumptions have to make in order to facilitate analysis. The critical element in the recommendation is that whether the solution is robust to the assumption. In other words, various scenarios (sensitivity) analysis is important. As a result, the analyst needs to be aware of the assumptions made in the analysis and try very hard to ensure the recommendation is immune to different restrictive assumptions.

Written Part:

The paper (case report) should be “self-contained,” i.e., it does not require other references to understand the content of the report. The analysis should be as detailed as possible. However, if the analysis is too technical, it can be put into the appendix without interfering the flow of the presentation of the paper.

The report should contain an introduction, and a plan of action for the paper (i.e., organization of the paper). Different sections should be labeled, with concluding remarks. The paper should be typed, double-spaced. The page limit should not be a concern at this point (but terse enough to be clear but needs details for the reader to understand what is going on-- this is exactly what I mean by “self-contained” in the paper).

Writing Style (WS)

90% or more

Easy to read.
Purpose of the write-up is clearly stated in the introduction.
Almost all sentences are well structured.
Almost all paragraphs are well structured.
A strong concluding paragraph addressing the purpose of the write-up exists.

(As much as you are able, that you should dare to do)
80% or more

Mostly easy to read with some rough spots.
Some reference to the purpose of write-up is stated in the beginning.
Most sentences are well structured.
Most paragraphs are well structured.
A concluding paragraph addressing the purpose of the write-up exists.

70% or more

Hard to read.
No references to the purpose of write-up is stated in the beginning.
Many sentences are poorly structured.
Many paragraphs are poorly structured.
No concluding paragraph exists or one that does not address the purpose of the write-up.

**Presentation requirements:**

I would prefer every one in the group has a chance to present the materials in the case. After all, the purpose of the presentation is to enable the students a chance to speak in front of people and answer questions. I do encourage audience to ask cortical questions. This is a chance to learn and experiment what the real world looks like in a conference.

The presentation should be logical and let the audience a sense where you are going and how to present the materials. Do not assume the audience know what you are doing!

**Contents (C)**

90% or more

All problems are correctly identified.
Methods used are stated clearly.
All relevant results are reported clearly.
Correct interpretations are provided for all results presented.
Practical recommendations are suggested when appropriate.

80% or more

Most problems are correctly identified.
Some reference to methods used.
Most relevant results are reported in a reasonable fashion.
Reasonable interpretations are provided for most of the results reported.
Some practical recommendations are suggested when appropriate.

70% or more

Some problems are not identified.
Brief to no mention of methods used.
Majority of relevant results are not reported or are not reported clearly.
Little or no interpretations provided or incorrect interpretations are presented.
Little or no practical recommendations are suggested when appropriate.
**Presentation of Quantitative Analysis (P)**

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<th>Description</th>
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| 90% or more | Exhibits have titles that suggest the contents of the exhibit.  
It is easy for the reader to understand the structure of the exhibits.  
All equations and sources are provided.  
All relevant results are clearly presented.  
The analysis is well thought out, done logically and completely. |
| 80% or more | Exhibits have titles.  
It is not difficult for the reader to understand the structure of the exhibits.  
Most equations and sources are provided.  
Most relevant results are presented in a reasonable fashion.  
The analysis is reasonably well thought out, mostly logical and mostly complete. |
| 70% or more | Exhibits do not have titles.  
It is difficult for the reader to understand the structure of the exhibits.  
Few or no equations and sources are provided.  
Some relevant results are not reported or results are reported in an unclear manner.  
The analysis demonstrates an effort to analyze the problem at hand. |

**Grading criteria for case presentation**

The performance of the group (as the case is submitted by the group) determines the grade (not individual with some exceptional case). As a result, it is important that the group performs well. I understand at times, there will be freeloader problem. If there is a problem, the students in the group should immediately report to the instructor so that appropriate actions could be taken. To be logical, the students try to be free rider are hurting them in the long run because it is a small world after all. The bad image they leave to the group members will hurt them later on as they will become your colleague in the future (you never know!!).

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| 90% or more | Case synopsis including assumptions used is presented clearly and creatively.  
Presentations of methodologies/analyses, results, and recommendations are easy to understand.  
Well-organized structure of presentation with smooth transition from one presenter to another  
Excellent quality and use of visual aids.  
All questions are answered correctly, and handled professionally and courteously. |
Assignments will be due at the date set and agreed.

**Suggested questions for the Cases:**

These questions are only suggestive in nature. You do not necessarily have to follow them strictly.

**U.S. Semiconductor**

(1) Various plans for raising the fund are proposed by different groups of people in the firm. Evaluate them carefully and suggest a viable one.

(2) What is the corporate financing policy that the firm should adopt in light of exchange rate risk?

**The Walt Disney company’s Yen Financing**

(1) Should Disney hedge its yen royalty cash flow? Why or why not? If so, how much should be hedged and over what time frame?

(2) In light of the various other techniques for hedging currency exposures, why does a market for currency swaps exist? Who benefits and who loses in such an arrangement?

**Thoughts While in a Sauna**

(1) What are the maturities of the different FRN?
(2) What are the time horizon required for the fund? Relate the maturities of the FRN to the maturities of the fund required.

(3) As the risks of the different FRNs are different, how you want to invest in these instruments? At what risk level?

**Morris De Minas**

(1) What are the characteristics of the different financing options?

(2) What are the effective interest cost for these financing options?

(3) In addition to the explicit cost considerations, are there qualitative aspects of the financing options that need to be incorporated into the analysis for the decision?

**Imperial Power-Spain**

(1) What fixed costs should be allowed to increase with inflation over an extended period of time?

(2) Should working capital be treated as recaptured?

(3) should the project net present value in pesetas (in Spain) be measured before or after the dividend withholding tax?

(4) Should the cash flows evaluated in terms of the parent or subsidiary? Why?

The teaching issues the **Minsheng Bank** case are:

1. How to evaluate the value creation and discusses the process of international expansion through acquisitions in the banking industry and how to position a bank in the global market.

2. Illustrate the impacts of government regulation and highlight the barriers of acquisition in the global banking industry.

3. Discuss the development of the banking industry in China and the opportunities associated.

4. Discuss the credit issue starting in mid-2007. Is Minsheng’s investment in the US too risky?

**Academic Honesty:**
• Plagiarism is the use of another person’s words or ideas without crediting that person. Plagiarism and cheating will not be tolerated and may lead to failure on an assignment, in the class, and dismissal from the University. View this campus policy here: http://www.umsl.edu/services/academic/assets/PDFs/Dishonesty-Rev-9-08.pdf

• Students are responsible for being attentive to and observant of campus policies about academic honesty as stated in the University’s Student Conduct Code: http://www.umsl.edu/~webdev/bulletin/student-conduct.html

• To avoid accusations of academic dishonesty, please submit all written work to the Turnitin System before finalizing what you submit for evaluation. Check information about The Writing Center @UMSL that is linked to MyGateway Home.

Civility:

• Turn off beepers and cell phones during class. Adherence to the Student Conduct Code is expected.

• My commitment is to create a climate for learning characterized by intellectual diversity and a respect for each other and the contributions each person makes to class. I ask that you make a similar commitment.

• I am committed to insuring a positive learning environment by respecting that University policy: http://www.umsl.edu/~studentplanner/policies/positive.html

• It is vitally important that our classroom environment promote the respectful exchange of ideas. This entails being sensitive to the views and beliefs expressed during class discussions. Please speak with me before recording any class activity. It is a violation of University of Missouri policy to distribute such recordings without my authorization and the permission of others who are recorded.

Access, Disability, Communication:

• Students requiring special accommodations should meet with me during office hours so that we can discuss how to meet your needs this semester. Prior to our meeting be sure you have met with someone in Disability Access Services (MSC 144).

• If you have difficulty communicating in English with the instructor of this course, contact the chairperson of the Finance and Legal Studies Department on the 11th floor of Tower or call the office at x 5979.

Campus Safety

• All members of the UMSL community are encouraged to register their cell and office phone numbers to receive notification of any pending danger on campus. Find instructions here: https://myhr.umsystem.edu
• In the event of an emergency on campus, call Campus Police at 314.516.5155. A call to 911 on a cell phone only, will go to the St. Louis County Police. The St. Louis County Police will notify UMSL Police, but this may cause a delay in response. Campus Police know the best way to escort emergency vehicles to locations on campus.

• If you do not feel comfortable walking to a parking lot, MetroLink stop, or anywhere else on campus, contact the Campus Police for an escort: 314.516.5155.

• The University of Missouri – St. Louis is committed to creating and maintaining a safe environment for all members of the campus community (faculty, staff, students and visitors). Please familiarize yourself with campus emergency procedures by reviewing the UMSL Police Department web pages at: http://safety.umsl.edu/emergency. These pages highlight possible safety concerns and alert you to procedures to follow should there be an emergency on campus. The site also includes a link to the campus plan for disaster preparedness. We encourage you to review this information and be prepared to take action in the event of an emergency. If a person’s safety is ever at risk, call the Campus Police at 314-516-5155 immediately.