

## FIN 4301-110: INTERNATIONAL FINANCIAL MANAGEMENT – Fall 2018

Texas A&M University-Central Texas

### INSTRUCTOR AND CONTACT INFORMATION

Instructor: Marty Hanby

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**Office Hours: 8:30 to 9:30 am and 2:00 to 3:00 pm Monday and Wednesday, and 2:15 to 3:15 pm Tuesday and Thursday or by appointment.**

### Required Text and Financial Calculator:

TEXT: International Financial Management, 13<sup>th</sup>, Jeff Madura, Cengage. The fancy ebook is wonderful, filled with useful learning/practice tools, but no Cengage access code is required for this course.

ISBN: [978-1-337-09973-8](https://www.amazon.com/dp/9781337099738)

\*\*\*\*\* You will also need a TI BA II Plus financial calculator (required!). There are two versions of the Professional model, a black version and the silver version. They perform the same functions but the silver version is a little nicer.

### Mode of instruction and course access:

This course meets face-to-face, with supplemental materials made available online via the A&M Central Texas Canvas Learning Management System [<https://tamuct.instructure.com>].

### Student-instructor interaction:

I highly recommend that you take the time to come to my office hours, this will be beneficial to both of us. This gives me the opportunity to understand both your strengths and weaknesses, students that take the time to get to know me usually do much better in my class. My preferred communication method is via email, I check email regularly during the week and a couple of times a day on weekends. If my office hours don't work for you, please email me and we will schedule a time that works for both of us.

**Canvas Support:** Use the *Canvas Help link*, located at the bottom of the left-hand menu, for issues with Canvas. You can select "Chat with Canvas Support," submit a support request through "Report a Problem," or call the *Canvas support line: 1-844-757-0953*.

### 911 Cellular:

Emergency Warning System for Texas A&M University-Central Texas

911Cellular is an emergency notification service that gives Texas A&M University-Central Texas the ability to communicate health and safety emergency information quickly via email, text message, and social media. All

students are automatically enrolled in 911Cellular through their myCT email account.

Connect at [911Cellular](https://portal.publicsafetycloud.net/Texas-AM-Central/alert-management) [https://portal.publicsafetycloud.net/Texas-AM-Central/alert-management] to change where you receive your alerts or to opt out. By staying enrolled in 911Cellular, university officials can quickly pass on safety-related information, regardless of your location.

### **COURSE INFORMATION:**

Course Overview and description: This course extends the principles of finance in the international context. International finance differs from the purely domestic version in two important ways. First, the existence of multiple currencies whose exchange rates float more or less freely in response to market forces is a source of additional complication to investment and financing decisions. Second, since multinational corporations operate across the borders of sovereign states, national tax, regulatory, and political regimes have an effect on corporate decision-making. The first part of the course is an overview of the global financial environment and an introduction to exchange rate behavior. The second part of the course focuses on the theory of the firm in an international setting, with emphasis on the problems of managing foreign exchange exposure.

**Course Prerequisites:** FINK 3301

### **Course Objectives:**

Students who successfully complete this course should be able to:

1. Explain the effect of currency changes as well as surpluses and deficits in the current and capital accounts of a nation's balance of payments.
2. Demonstrate an understanding of the factors that cause currencies to fluctuate in value.
3. Demonstrate an understanding of the impact currency fluctuations have on corporate profitability and operating procedures.
4. Identify appropriate instruments and techniques that corporations can use to hedge currency risk such as options, forward contracts, future contracts, natural hedging and swaps.
5. Analyze the effect of disequilibrium in the market and propose appropriate arbitrage strategies.
6. Explain the advantages and disadvantages of fixed versus floating exchange rate regimes.
7. Demonstrate an understanding with various governmental techniques for intervention in currency markets and analyze the likely effectiveness of such interventions in the short and long run.
8. Demonstrate an understanding of international parity conditions and calculate the impact of incremental changes in inflation, interest rates and currency levels on various macroeconomic variables.
9. Calculate gain and losses from engaging in option transactions.

## **Student Learning Outcomes by Module/Chapter:**

### **Chapter 1: Multinational Financial Management: An Overview**

1. Identify the management goal and organizational structure of MNCs (Multi-National Corporations).
2. Describe the key theories about why MNCs engage in international business
3. Explain the common methods used to conduct international business
4. Discuss the role of ethics and corporate governance in a well-functioning economic system
5. Provide and discuss a model for valuing an MNC.

### **Chapter 2: International Flow of Funds**

1. Explain the key components of the balance of payments.
2. Debate: a trade deficit is a sign of a weak economy
3. Explain how international trade flows are influenced by economic and other factors.
4. Explain how international capital flows are influenced by country-specific factors
5. Introduce and discuss the agencies that facilitate the international flow of funds

### **Chapter 3: International Financial Markets**

1. Describe and discuss the background and function of the foreign exchange market.
2. Describe and discuss the background and function of the international money market.
3. Describe and discuss the background and function of the international credit market.
4. Describe and discuss the background and function of the international bond (debt) market.
5. Describe and discuss the background and function of the international stock (equity) market.

### **Chapter 4: Exchange Rate Determination**

1. Explain how exchange rate movements are measured and discussed.
2. Explain the supply and demand factors that determine equilibrium exchange rates.
3. Discuss the factors, both market and governmental, that affect the equilibrium exchange rate.
4. Explain the movements in cross exchange rates.
5. Explain how financial institutions and investors attempt to profit on **expected** changes in exchange rates.

### **Chapter 5: Currency Derivatives**

1. Explain the characteristics and use of forward contracts.
2. Explain the characteristics and use of currency futures contracts.
3. Explain the characteristics and use of currency call options.
4. Explain the characteristics and use of currency put option contracts.

### **Chapter 6: Government Influence on Exchange Rates**

1. Describe the exchange rate systems used by various governments.
2. Describe the developments and implications of a single European currency.
3. Explain how governments can use direct influence to influence exchange rates.
4. Explain how governments can use indirect intervention to influence exchange rates.
5. Evaluate the impact of inflation on interest rates and bond values.

6. Explain the bond structure of interest rates and the determinants of bond yields.

### **Chapter 7: International Arbitrage and Interest Rate Parity**

1. Explain the conditions that will result in locational arbitrage and the subsequent realignments.
2. Explain the conditions that will result in covered interest arbitrage and the subsequent realignments.
3. Explain the concept of interest rate parity and discuss its implications.
4. Explain the variation in forward rate premiums across maturities and over time.

### **Chapter 8: Relationships Among Inflation, Interest Rates, and Exchange Rates**

1. Explain the purchasing power parity theory. (PPV).
2. Discuss the implications of PPV on foreign exchange markets.
3. Explain the International Fisher Effect theory, (IFE).
4. Discuss the implications of IFE on foreign exchange markets.

### **Chapter 9: Forecasting Exchange Rates**

1. Explain why firms forecast exchange rates
2. Describe the common techniques used to forecast exchange rates.
3. Explain how such forecasts can be evaluated.
4. Explain how to account for uncertainty in forecasting exchange rates.

### **Chapter 10: Measuring Exposure to Exchange Rate Fluctuations**

1. Explain the relevance and implications of MNC exposure to exchange rate risk.
2. Explain how transaction exposure can be measured
3. Explain how economic exposure can be measured
4. Explain how translation exposure can be measured.

### **COURSE REQUIREMENTS:**

Assignments (200 points) - There will be end of chapter homework assignments throughout the semester. All homework assignments combined will be worth 200 points. I will not accept late homework. Let me repeat. I WILL NOT ACCEPT LATE HOMEWORK!

Exams (300 points) - You will have 3 exams in this class. Each exam is worth 100 points. All exams will cover material from the chapters that were covered after the previous exam. This means that the exams are not comprehensive...technically. However; since much of the material builds on itself you must understand earlier chapters to be able to show your understanding of later chapters. **The optional final exam is comprehensive and if you elect to take the final it will replace your lowest exam grade.**

### **Suggested Practice Problems**

\*The instructor reserves the right to modify the course content as necessity arises.

### **COURSE REQUIREMENTS**

### Grading Criteria Rubric and Conversion:

Weighted Percentage	Course Grade
90 - 100%	A
80 - 89.9%	B
70 - 79.9%	C
60 - 69.9%	D
Below 60%	F

### Posting of Grades

Grades will be posted in Canvas, in most cases they will be posted prior to the next class after an exam.

### TENTATIVE COURSE OUTLINE AND CALENDAR

Date	Topic	Chapter	Homework Due
8/28	Introduction		
8/30	Multinational Financial Management: An Overview	1	
9/4	Multinational Financial Management: An Overview	1	
9/6	International Flow of Funds	2	
9/11	International Flow of Funds	2	
9/13	International Flow of Funds	2	Ch 1: 1-3, 6-9, 11, 19, 21
9/18	International Financial Markets	3	
9/20	International Financial Markets	3	Ch 2: 1, 2, 5, 6, 8, 9
9/25	International Financial Markets	3	
9/27	Review		Ch 3: 3, 4, 6, 10, 12, 19
10/2	<b>Exam 1</b>		
10/4	Exchange Rate Determination	4	
10/9	Exchange Rate Determination	4	
10/11	Exchange Rate Determination	4	
10/16	Currency Derivatives	5	
10/18	Currency Derivatives	5	Ch 4: 1-6, 13, 21
10/23	Currency Derivatives	5	
10/25	Government Influence on Exchange Rates	6	
10/30	Government Influence on Exchange Rates	6	Ch 5: 1-7, 10, 11, 19, 20
11/1	Review		Ch 6: 1, 3, 4, 9, 12, 14, 19
11/6	<b>Exam 2</b>		
11/8	International Arbitrage and IRP	7	
11/13	International Arbitrage and IRP	7	
11/15	PPP and IFE	8	
11/20	PPP and IFE	8	Ch 7: 2, 4, 6, 7, 9, 13, 16, 22, 31
11/22	<b>Thanksgiving</b>		
11/27	Forecasting Exchange Rates	9	
11/29	Forecasting Exchange Rates	9	Ch 8: 1, 2, 5, 6, 8, 13, 14

12/4	Review		Ch 9: 1-5, 10, 14, 15, 18, 24
12/6	<b>Exam 3</b>		
12/11	<b>Optional Comprehensive Final</b>		

### **Important University Dates:**

- August 27 Classes Begin for Fall Semester
- August 29 Deadline for Add, Drop, and Late Registration for 16- and First 8-Week Classes
- September 3 Labor Day
- September 4 Deadline to Drop First 8-Week Classes with No Record
- September 12 Deadline to drop 16-Week Classes with No Record
- October 1 Deadline for Teacher Education and Professional Certification Applications (i.e. Principal, Reading Specialist, etc.)
- October 5 Deadline to Drop First 8-Week Classes with a Quit (Q) or Withdraw (W)
- October 5 Deadline for Graduation Application for Ceremony Participation
- October 5 Student End of Course Survey Opens (First 8-Week Classes)
- October 12 Deadline for Fall Admissions Applications
- October 15 Deadline for Clinical Teaching Applications
- October 19 Classes End for First 8-Week Session
- October 19 Deadline for Tuition and Fee Payments (Second 8-Week Classes)
- October 19 Deadline to Withdraw from University for First 8-Week Classes (WF)
- October 22 Add, Drop, and Late Registration Begins for Second 8-Week Classes. \$25 fee assessed for late registrants
- October 22 Classes Begin for Second 8-Week Session
- October 22 Student End of Course Survey Closes (First 8-Week Classes)
- October 23 Deadline for Faculty Submission of First 8-Week Class Final Grades (due by 3pm)
- October 24 Deadline for Add, Drop, and Late Registration for Second 8-Week Classes
- October 29 Deadline to Drop Second 8-Week Classes with No Record
- November 1 Deadline for GRE/GMAT Scores to Office of Graduate Studies
- November 9 Deadline to Drop 16-Week Classes with a Quit (Q) or Withdraw (W)
- November 12 Veterans Day (Observed) - No Class
- November 16 Deadline for Final Committee-Edited Theses with Committee Approval Signatures to Office of Graduate Studies for Fall Semester
- November 22 Thanksgiving
- November 23 Thanksgiving
- November 30 Deadline to Drop Second 8-Week Classes with a Quit (Q) or Withdraw (W)
- December 1 Student End of Course Survey Opens (16- and Second 8-Week Classes)
- December 14 Commencement Ceremony Bell County Expo Center 7:00 p.m.

## **TECHNOLOGY REQUIREMENTS AND SUPPORT**

### **Technology Requirements**

This course will use the A&M-Central Texas Instructure Canvas learning management system. Logon to A&M-Central Texas Canvas [<https://tamuct.instructure.com>].

Username: Your MyCT username (xx123 or everything before the "@" in your MyCT e-mail address)

Password: Your MyCT password

## **Canvas Support**

Use the Canvas Help link, located at the bottom of the left-hand menu, for issues with Canvas. You can select “Chat with Canvas Support,” submit a support request through “Report a Problem,” or call the Canvas support line: 1-844-757-0953.

For issues related to course content and requirements, contact your instructor.

## **Other Technology Support**

For log-in problems, students should contact Help Desk Central.

24 hours a day, 7 days a week:

Email: [helpdesk@tamu.edu](mailto:helpdesk@tamu.edu)

Phone: (254) 519-5466

[Web Chat](http://hdc.tamu.edu): [http://hdc.tamu.edu]

*Please let the support technician know you are an A&M-Central Texas student.*

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## UNIVERSITY RESOURCES, PROCEDURES, AND GUIDELINES

### **Drop Policy.**

If you discover that you need to drop this class, you must complete a [Drop Request Form](https://www.tamuct.edu/registrar/docs/Drop_Request_Form.pdf) [https://www.tamuct.edu/registrar/docs/Drop\_Request\_Form.pdf].

Professors cannot drop students; this is always the responsibility of the student. The Registrar's Office will provide a deadline on the Academic Calendar for which the form must be completed, signed and returned. Once you return the signed form to the Registrar's Office, you must go into Warrior Web and confirm that you are no longer enrolled. If you still show as enrolled, FOLLOW-UP with the Registrar's Office immediately. You are to attend class until the procedure is complete to avoid penalty for absence. Should you miss the drop deadline or fail to follow the procedure, you will receive an F in the course, which may affect your financial aid and/or VA educational benefits.

### **Academic Integrity.**

Texas A&M University -Central Texas values the integrity of the academic enterprise and strives for the highest standards of academic conduct. A&M-Central Texas expects its students, faculty, and staff to support the adherence to high standards of personal and scholarly conduct to preserve the honor and integrity of the creative community. Academic integrity is defined as a commitment to honesty, trust, fairness, respect, and responsibility. Any deviation by students from this expectation may result in a failing grade for the assignment and potentially a failing grade for the course. Academic misconduct is any act that improperly affects a true and honest evaluation of a student's academic performance and includes, but is not limited to, cheating on an examination or other academic work, plagiarism and improper citation of sources, using another student's work, collusion, and the abuse of resource materials. All academic misconduct concerns will be reported to the university's Office of Student Conduct. Ignorance of the university's standards and expectations is never an excuse to act with a lack of integrity. When in doubt on collaboration, citation, or any issue, please contact your instructor before taking a course of action.

### **Academic Accommodations.**

At Texas A&M University-Central Texas, we value an inclusive learning environment where every student has an equal chance to succeed and has the right to a barrier-free education. The Department of Access and Inclusion is responsible for ensuring that students with a disability receive equal access to the university's programs, services and activities. If you believe you have a disability requiring reasonable accommodations please contact the Department of Access and Inclusion at (254) 501-5831. Any information you provide is private and confidential and will be treated as such.

For more information please visit our [Access & Inclusion](https://www.tamuct.edu/student-affairs/access-inclusion.html) web page [https://www.tamuct.edu/student-affairs/access-inclusion.html].

Texas A&M University-Central Texas supports students who are pregnant and/or parenting. In accordance with requirements of Title IX and related guidance from US Department of Education's Office of Civil Rights, the Dean of Student Affairs' Office can assist students who are pregnant and/or parenting in seeking accommodations related to pregnancy and/or parenting. Students should seek out assistance as early in the pregnancy as possible. For more information, please visit the [Student Affairs](https://www.tamuct.edu/student-affairs/index.html) web page [https://www.tamuct.edu/student-affairs/index.html]. Students may also contact the institution's Title IX Coordinator. If you would like to read more about these [requirements and guidelines online](http://www2.ed.gov/about/offices/list/ocr/docs/pregnancy.pdf), please visit the website [http://www2.ed.gov/about/offices/list/ocr/docs/pregnancy.pdf].

Title IX of the Education Amendments Act of 1972 prohibits discrimination on the basis of sex and gender—including pregnancy, parenting, and all related conditions. A&M-Central Texas is able to provide flexible and individualized reasonable accommodation to pregnant and parenting students. All pregnant and parenting students should contact the Division of Student Affairs at (254) 501-5909 to seek out assistance. Students may also contact the University's Title IX Coordinator.

### **Tutoring.**

Tutoring is available to all A&M-Central Texas students, both on-campus and online. Subjects tutored on campus include Accounting, Advanced Math, Biology, Finance, Statistics, Mathematics, and Study Skills. Tutors are available at the Tutoring Center in Warrior Hall, Suite 111.

If you have a question regarding tutor schedules, need to schedule a tutoring session, are interested in becoming a tutor, or have any other question, contact Academic Support Programs at (254) 519-5796, or by emailing Dr. DeEadra Albert-Green at [deeadra.albertgreen@tamuct.edu](mailto:deeadra.albertgreen@tamuct.edu).

Chat live with a tutor 24/7 for almost any subject from on your computer! Tutor.com is an online tutoring platform that enables A&M-Central Texas students to log in and receive FREE online tutoring and writing support. This tool provides tutoring in over 40 subject areas. Access Tutor.com through Canvas.

**University Writing Center:** Located in 416 Warrior Hall, the University Writing Center (UWC) at Texas A&M University-Central Texas is a free workspace open to all TAMUCT students from 10am-4pm Monday-Thursday during the summer with online hours available Monday-Thursday from 6:00-9:00pm. Students may arrange a one-on-one session with a trained and experienced writing tutor by visiting the UWC during normal operating hours (both half-hour and hour sessions are available) or by making an appointment via [WOnline](https://tamuct.mywconline.com/) at [https://tamuct.mywconline.com/]. In addition, you can email Dr. Bruce Bowles Jr. at [bruce.bowles@tamuct.edu](mailto:bruce.bowles@tamuct.edu) to schedule an online tutoring session. Tutors are prepared to help writers of all levels and abilities at any stage of the writing process.

While tutors will not write, edit, or grade papers, they will assist students in developing more effective composing practices. By providing a practice audience for students' ideas and writing, our tutors highlight the ways in which they read and interpret students' texts, offering guidance and support throughout the various stages of the writing process. In addition, students may work independently in the UWC by checking out a laptop that runs the Microsoft Office suite and connects to WIFI, or by consulting our resources on writing, including all of the relevant style guides. Whether you need help brainstorming ideas, organizing an essay, proofreading, understanding proper citation practices, or just want a quiet place to work, the University Writing Center is here to help!

If you have any questions about the University Writing Center, please do not hesitate to contact Dr. Bruce Bowles Jr. at [bruce.bowles@tamuct.edu](mailto:bruce.bowles@tamuct.edu).

### **University Library.**

The University Library provides many services in support of research across campus and at a distance. We offer over 200 electronic databases containing approximately 250,000 eBooks and 82,000 journals, in addition to the 85,000 items in our print collection, which can be mailed to students who live more than 50 miles from campus. Research guides for each subject taught at A&M-Central Texas are available through our website to help students navigate these resources. On campus, the library offers technology including cameras, laptops, microphones, webcams, and digital sound recorders.

Research assistance from a librarian is also available 24 hours a day through our online chat service, and at the reference desk when the library is open. Research sessions can be scheduled for more comprehensive assistance, and may take place on Skype or in-person at the library. Assistance may cover many topics, including how to find articles in peer-reviewed journals, how to cite resources, and how to piece together research for written assignments.

Our 27,000-square-foot facility on the A&M-Central Texas main campus includes student lounges, private study rooms, group work spaces, computer labs, family areas suitable for all ages, and many other features. Services such as interlibrary loan, TexShare, binding, and laminating are available. The library frequently offers workshops, tours, readings, and other events. For more information, please visit our [Library website](http://tamuct.libguides.com/index) [<http://tamuct.libguides.com/index>].

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## **POLICY STATEMENTS:**

### **A Note about Sexual Violence at A&M-Central Texas**

Sexual violence is a serious safety, social justice, and public health issue. The university offers support for anyone struggling with these issues. University faculty are mandated reporters, so if someone discloses that they were sexually assaulted (or a victim of Domestic/Dating Violence or Stalking) while a student at TAMUCT, faculty members are required to inform the Title IX Office. If you want to discuss any of these issues confidentially, you can do so through Student Counseling (254-501-5955) located on the second floor of Warrior Hall (207L).

Sexual violence can occur on our campus because predators often feel emboldened, and victims often feel silenced or shamed. It is incumbent on ALL of us to find ways to actively create environments that tell predators we don't agree with their behaviors and tell survivors we will support them. Your actions matter. Don't be a bystander; be an agent of change. For additional information on campus policy and resources visit the [Title IX webpage](https://www.tamuct.edu/departments/compliance/titleix.php) [<https://www.tamuct.edu/departments/compliance/titleix.php>].

## **INSTRUCTOR POLICIES.**

- **I do not accept late assignments.**
- **Any calculator with communication features is strictly prohibited.**
- **Electronic devices are permitted in class for note taking purposes only.**

## **Copyright Notice.**

Students should assume that all course material is copyrighted by the respective author(s). Reproduction of course material is prohibited without consent by the author and/or course instructor. Violation of copyright is against the law and Texas A&M University-Central Texas' Code of Academic Honesty. All alleged violations will be reported to the Office of Student Conduct.

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