



## **COURSE SYLLABUS**

Course: **FINN 3703 International Finance**

### **Course Content:**

Introduction to international financial markets, exchange rates and exchange rate determination, balance of trade measures, and vehicles for foreign trade financing.

### **Course Description:**

This course focuses on the managerial aspects of international finance and discusses important issues most relevant to U.S. companies operating overseas. The course will start with a macro-economic overview of the financial systems in which multinational corporations maneuver. Next, we explain the mechanics of exchange rates and how central banks intervene in foreign exchange markets. We then discuss two important issues chief financial officers of any thriving multinational face: managing foreign exchange risk exposure, and valuing and financing new investments overseas.

The course introduces students to knowledge in international financial management and will be particularly valuable to those interested in pursuing financial management careers offered by multinational corporations. Students are encouraged to apply their knowledge to analyze a variety of real world problems frequently mentioned in the media and form their own opinions about pertinent issues arising from international trade and international financial transactions.

### **Course Structure:**

This course is organized around three distinct modules. The modules are:

#### 1. Multinational Corporations and Its International Environment

[Chapters 1-4, plus additional lecture notes and handouts]

This module introduces the institutional environment of multinational corporations. We'll discuss the impact of legal rules and government institutions on firm behavior and financial decisions. We will also discuss topical issues related to national debt, international trade, and currency valuation.

#### 2. The Economics of Foreign Exchange Rates

[Chapters 6, 7, and 8]

This module studies the mechanics of exchange rates and the roles of central banks in intervening foreign exchange markets. Important concepts and procedures of currency arbitrage transactions will be discussed extensively.

#### 3. Managing Foreign Exchange Exposure

[Chapters 5, 5A, 10, 11, 11A, and 12, plus additional lecture notes and handouts] This module discusses multinational firms' exposure to foreign exchange rate risks and the financial instruments commonly used to hedge such exposures. The emphasis will be on the applications of financial futures, options, and complex option strategies to hedge long/short financial positions to prevent catastrophically large losses associated with low-probability tail events.

In addition, if time permits, we will discuss Cross-border Valuation and Acquisitions, which considers how traditional corporate finance models need to be modified to properly account for cross-border complexities. How should firms evaluate investments or acquisitions overseas? How should they calculate the cost of capital around the world?

**Textbook:**

Madura, Jeff, 2009. International Financial Management, 9th edition or higher, Cengage Learning. Additional materials will be handed out in class or made available on BlackBoard.

**Evaluation:**

There will be one take-home exam and one in-class exam at the completion of each module. The in-class exams are 140 points each, and the take-home exams are 120 points each. These exams are non-cumulative. If sickness or any other personal emergencies prevents you from taking any of the exams, you are allowed to move the weight of that exam to the last in-class exam on December 11 (a.k.a. the final exam). There will not be makeup exams.

You may earn up to 120 points for completing end-of-chapter assignments, surveys, and online quizzes. The assignment questions can be found on course BlackBoard. Please respect the due dates as solutions will be made available immediately after the work is due. Hard copy submission of homework will not be returned to you, so please save a copy of your submitted homework.

Attendance, class activity participation, optional homework and group project will count toward 100 points of the evaluation, with the maximum allowable points exceeding 100 points. Details of these activities will be provided in class and made available on course BlackBoard.

	<b>Points</b>
<b>Take-home exams</b>	3*120 = 360
<b>In-class exams</b>	3*140 = 420
<b>Homework/online quizzes</b>	120
<b>Attendance/participation/project</b>	100
<b>Total</b>	1000

The following dates for in-class exams should be noted.

<b>In-Class Exams</b>	<b>Date</b>
Exam 1	Sept 25
Exam 2	Nov 6
Exam 3	Dec 11
TR3:30 class	3:15-5:15pm
T 5:00 class	6:15 - 8:15pm

To receive an A in this class, you need to accumulate a minimum of 899 points from the components listed above. A grade of B requires 799 points, and a C requires 699 points. To pass the course, a student will need to accumulate a minimum of 500 points.

**Miscellaneous:**

As a core part of its mission, the University of Arkansas provides students with the opportunity to further their educational goals through programs of study and research in an environment that promotes freedom of inquiry and academic responsibility. Accomplishing this mission is only possible when intellectual honesty and individual integrity prevail. Each University of Arkansas student is required to be familiar with and abide by the University's 'Academic Integrity Policy' which may be found at <http://provost.uark.edu/>. Students with questions about how these policies apply to a particular course or assignment should immediately contact their instructor.

**Inclement Weather:**

Class will be cancelled automatically when Fayetteville Public Schools are closed due to inclement weather.

**Accommodations:**

Disability issues will be dealt with in accordance with University policy. High attendance rate and professional behavior are expected. They will be used to determine borderline grades.

**Laptops:**

It is not necessary to bring a laptop with you to class. Keep your laptop in its case if you happen to have one with you. Please be respectful of others and turn off all audible cell phones or anything else that would cause a disturbance in class. Please bring a calculator to all exams, not a cell phone with a calculator. If you have questions concerning the lecture, you are probably not alone—simply address your question to me rather than ask your neighbor. Class time is intended for lecture and discussion only.