

# University of Florida

## Warrington College of Business

### International Finance, Fall 2016

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**Required Text:**

- Eun and Resnick, *International Financial Management*, 2015 (7<sup>th</sup> Edition)
- Course packet

**Course Description:**

This course is designed to provide an introduction to international finance. In particular, this course covers features that distinguish international finance from domestic finance, foreign exchange foundations, markets and determination, international financial markets, international investments, and foreign exchange and political risk exposure and management. The emphasis in this course is on economic and financial principles as well as institutional features. These financial principles and institutional features are both relevant and useful for individuals who operate in our increasingly competitive and global economy. Given the nature of the topics covered and accompanying course assignments, this course has significant analytical, quantitative, and writing components throughout.

## Course Requirements and Evaluation:

All readings in the attached course outline are required. The course lectures also provide coverage of some key concepts and supplemental issues. The lectures are generally broad in scope, with the course readings and assignments covering specific details. Taken together, the course readings, lectures, and assignments serve as a strong foundation for understanding international finance.

There is a total of 1,015 possible points that can be earned during the term. These points are distributed among *three* group homework assignments, *one* group project (with two incremental submissions and a final submission), a final exam, course special topics bulletin board participation throughout the term, and *three* online extra credit quizzes. The three group homework assignments are worth 100 points each, for a total of 300 possible points. The group project is worth 300 points, which is broken down into 20 points for the first group project related submission (i.e., detailed outline), 40 points for the second group project related submission (i.e., complete rough draft), and 240 points for the final group project submission. The final exam is worth 300 points. The course special topics bulletin board participation is worth 100 points. The three online extra credit quizzes are worth a maximum of 5 points each, for a total of 15 possible points. Please note that these are the only extra credit points that can be earned during the term. The group homework assignments, course lecture material, readings, and quizzes should assist you in preparing for the final exam. The group homework assignments will consist of some end-of-chapter problems from the course text, additional supplemental problems, and cases. Note that your group homework assignment and group project grades will also be determined by your group members' evaluation of your contribution (please see the group evaluation grade information section on the next page for details).

Final course grades will be based on the following accumulative point scale:

<u>Grade</u>	<u>Accumulative Course Points</u>
A	925 and above
A-	900 – 924
B+	890 - 899
B	825 - 889
B-	800 – 824
C+	790 - 799
C	725 - 789
C-	700 – 724
D+	690 - 699
D	625 - 689
D-	600 - 624
F	0 - 599

### **Late Submission Policy:**

Late submission of course material will be penalized as follows:

- 1-day late: -20% of grade
- 2-days late: -30% of grade
- 3-days late: -40% of grade
- 4+ days late: -100% of grade (zero for the assignment)

Please notify me **well in advance** if there are any **extremely** extenuating circumstances.

### **Group Evaluation Grades:**

Part of your group assignment grades (both group homework assignments and project) will be determined by your group members' evaluation of your contribution. In particular, *during the final class meeting*, each group member will fill out a group member evaluation form. Each group member will be evaluated on a contribution scale from 1-5, with 5 being the highest. Based on the group member evaluations, the group work portions of your grade will be adjusted accordingly. That is, based on your average evaluation, your group assignment scores (*both total group homework assignment score and total group project score*) will be adjusted according to the following scale:

<u>Group Evaluation of Contribution</u>	<u>% of Group Score Earned by Group Member</u>
5	100%
4	90%
3	80%
2	50%
1	0% (see note below)

*Note: If your contribution score is below 2, you will earn a failing grade in the course.*

### **Online Extra Credit Quizzes:**

There are three online extra credit quizzes that will be accessible during portions of the term. These quizzes are not group quizzes. To receive any credit, these quizzes must be done individually. Each of the quizzes will cover the chapters corresponding to each of the group HW assignments. There are 20 multiple choice questions for each quiz, you have 2 hours to complete each quiz, and you can use your book/notes during the quiz. Each quiz will be worth a maximum of 5 points, for a total of 15 possible extra credit points. These points will be added to your accumulative course points at the end of the term. Please note that these are the only extra credit points that you can earn during the term. For each quiz, the extra credit points that you earn will be determined as follows:

<u>% Correct Answers on Quiz</u>	<u>Points Earned</u>
90% and greater	5
80-89%	4
70-79%	3
60-69%	2
50-59%	1
Below 50%	0

## **Course Assignment Due Dates:**

Please note that all the due date times below correspond to Eastern Standard Time in the U.S.

### Group Homework Assignments (300 points total; 100 points each):

HW # 1: Saturday, September 17<sup>th</sup> by midnight

HW # 2: Saturday, October 22<sup>nd</sup> by midnight

HW # 3: Saturday, November 26<sup>th</sup> by midnight

### Group Project (300 points total; incremental points detailed below):

PRJ #1 (detailed outline of project): Saturday, September 17<sup>th</sup> by midnight (20 points) – note that this is due with HW #1

PRJ #2 (complete **rough draft** of project): Saturday, October 22<sup>nd</sup> by midnight (40 points) – note that this is due with HW #2

PRJ #3 (Final Project Manuscript): Saturday, November 26<sup>th</sup> by midnight (240 points) – note that this is due with HW #3

### Final Exam (300 points):

- Saturday, December 3<sup>rd</sup> (during final class session)

### Special Topics Bulletin Board (100 points):

- Throughout the term – closes on Saturday, November 26<sup>th</sup> at midnight

### Online Extra Credit Quizzes (5 points each):

1. Opens on August 14<sup>th</sup> and closes on Saturday, September 17<sup>th</sup> at midnight
2. Opens on September 18<sup>th</sup> and closes on Saturday, October 22<sup>nd</sup> at midnight
3. Opens on October 23<sup>rd</sup> and closes on Saturday, November 26<sup>th</sup> at midnight

## **Brief Description of Group Project:**

There is one large group project during the term. The project consists of *either* a country investment *or* company international expansion report. In either case, you are required to first provide some background discussion of your selected country, and then an analysis of the country's political environment, economic environment, and capital markets. For the *country investment* analysis report, you need to follow the above analyses with a detailed analysis and discussion of specific investment prospects and opportunities in the particular country. Alternatively, for the *company international expansion* report, you need to follow the above analyses with a detailed analysis and discussion of specific company prospects and opportunities for a particular firm (or group of firms) in the selected country. For further details on the project, please see the comprehensive country analysis project document describing the project.

## **Discussion Boards:**

There are two main class discussion bulletin boards accessible during portions of the term: an *assignment help board* and a *special topics board*. The assignment help bulletin board is accessible during each of the course group assignments and should be utilized to clarify *group oriented* assignment questions. Group assignment clarification questions should be *first* discussed within each group and then on the assignment help board if necessary. I will respond to assignment help bulletin board questions within 48 hours, though often much sooner.

During the term, I will also post some current event and related current course topic issues on the *special topics discussion bulletin board*. Discussions on the special topics bulletin board will last for *approximately* two weeks, though not necessarily two weeks for every topic. Note that participation in the course special topics bulletin board is worth 100 points of your final course grade. The special topics bulletin board will close on Saturday, November 26<sup>th</sup> at midnight. The final course points that you earn for the special topics bulletin board will be determined by your meaningful participation throughout the term (i.e., you should submit 1 or more on topic and substantive posts per week throughout the term – not a single post per topic, but rather at least one post per week). Your post can be a new thread or a follow-on response to one of your cohort's posts. New and responding threads are weighted exactly the same. Once the board is closed, it cannot be reopened.

**Additional Office Hours:** In addition to the bulletin board discussions, I can be reached via phone or by email.

## Other Miscellaneous University Issues:

1. Document Retention Policy:  
Student course material will be retained for three weeks beyond the end of the term.
2. Accommodations for students with disabilities:  
"Students requesting classroom accommodation must first register with the Dean of Students Office. The Dean of Students Office will provide documentation to the student who must then provide this documentation to the Instructor when requesting accommodation."
3. The University's Student Honor and Conduct Codes:  
All students are required to abide by the Student Honor Code and Student Conduct Code set forth in the University of Florida Regulations (4.040) - 6C1-4 Student Affairs, 6C1-4.041 Student Affairs: Academic Honesty Guidelines (e.g., cheating, plagiarism, consultation...). The following website contains some details covering the above issues: <http://regulations.ufl.edu/chapter4/4040.pdf>.

## Regrade Policy:

To insure that all students are treated equally and fairly in the grading process, each student must follow the regrade policy below if they want their grade reconsidered. Please note that for me to reconsider your grade, you must provide me with the following material within 2-weeks of when the assignment was returned (within 2-weeks of the end of the term for the course exam and other end-of term submitted material).

If you believe that your course points were ***incorrectly summed***, please do the following:

1. Turn in ***all*** of your graded course material with corresponding points.
2. Clearly show me in writing where you believe the summation error has occurred.

If you believe that you received ***incorrect credit*** for a particular portion of your graded material, please do the following:

1. Turn in ***all*** of your graded course material with corresponding points.
2. Provide me with a ***clear***, type-written case (along with *very strong* supporting documentation) that ***clearly*** shows me why you believe that you received insufficient credit. Please note that you only have ***1 opportunity*** to make your case – so make it as clear and strong as possible. Note that all regrades are based off of your earned points. Any final course adjustment points will not be included in a regrade. Also, please note that non-sense cases can result in your course grade being downgraded once all of your graded course material has been re-evaluated.

## **Course Overview**

Module 1: Introduction to International Finance

Module 2: Foreign Exchange Foundations, Markets, and Determination

Module 3: International Financial Markets and Investments

Module 4: Foreign Exchange Exposure and Management

# Detailed Course Outline

**August 14<sup>th</sup> – August 20<sup>th</sup>: Week 1**

## **Module 1: Introduction to International Finance**

*Module # 1 Introduction Lecture: Introduction\_International\_Finance*

### I. Overview of International Finance

*Lecture: Overview\_International\_Finance*

*Eun and Resnick: Chapter 1*

*Harvard Note: Country Analysis in a “Global Village”*

*Case Lecture -- Harvard Case Introduction: Brazil: Embracing Globalization  
(Case\_Intro\_Brazil)*

*Harvard Case: Brazil: Embracing Globalization*

### II. Corporate Governance Issues

*Lecture: Corp\_Gov\_Issues*

*Eun and Resnick: Chapter 4*

*Video Segment #1: Edelman*

**August 21<sup>st</sup> – August 27<sup>th</sup>: Week 2**

## **Module 2: Foreign Exchange Foundations, Markets, and Determination**

*Module #2 Introduction Lecture: Intro\_FX\_Foundations*

### I. The International Monetary System

*Lecture: The\_International\_Monetary\_System*

*Eun and Resnick: Chapter 2*

*Harvard Note: Exchange Rate Regimes*

*Video Segment #2: Banking on the Euro*

*Video Segment #3: Mexican Crisis*

*Video Segment #4: Asian Crisis Part I*

*Video Segment #5: Asian Crisis Part II*

**August 28<sup>th</sup> – September 3<sup>rd</sup>: Week 3**

### II. Balance of Payments

*Lecture: Balance\_of\_Payments*

*Eun and Resnick: Chapter 3*

**September 4<sup>th</sup> – September 10<sup>th</sup>: Week 4**

III. The Foreign Exchange Market

*Lecture: FX\_Market*

*Eun and Resnick: Chapter 5*

*Harvard Note: Foreign Exchange Markets and Transactions*

**September 11<sup>th</sup> – September 17<sup>th</sup>: Week 5**

IV. Foreign Exchange Rate Parity Relations and Determination

*Lecture: FX\_Rate\_Parity*

*Eun and Resnick: Chapter 6*

*Video Segment #6: Economic Depression and Macroeconomics*

*Video Segment #7: Hyperinflation*

*Video Segment #8: Stagflation*

*Video Segment #9: Reagan and Volcker*

*Video Segment #10: Greenspan*

**HW #1 and Course Project (PRJ #1) Assignments Due:**

- ◆ 1<sup>st</sup> Group Homework Assignment (HW #1) Due Sat., September 17<sup>th</sup> by midnight
- ◆ Detailed Outline of Course Project (PRJ #1) Due Sat., September 17<sup>th</sup> by midnight

**September 18<sup>th</sup> – September 24<sup>th</sup>: Week 6**

**Module 3: International Financial Markets and Investments**

*Module #3 Introduction Lecture: Intro\_Int\_Finance\_Markets*

I. International Banking and Money Market

*Lecture: Int\_Banking\_Money\_Markets*

*Eun and Resnick: Chapter 11*

*Video Segment #11: Medley*

*Video Segment #12: Glossman*

**September 25<sup>th</sup> – October 1<sup>st</sup>: Week 7**

II. International Bond Markets

*Lecture: Int\_Bond\_Markets*

*Eun and Resnick: Chapter 12*

*Case Lecture -- CAB Case Introduction: Mortgage Securitisation in Hong Kong and Asia (Case Intro Mort Sec Hong Kong Asia)*

*CAB Case: Mortgage Securitisation in Hong Kong and Asia*

***October 2<sup>nd</sup> – October 8<sup>th</sup>: Week 8***

III. International Equity Markets

*Lecture: Int\_Equity\_Markets*

*Eun and Resnick: Chapter 13*

*Case Lecture -- Ivey Case Introduction: Huaneng Power International Inc.: Raising Capital in Global Markets (Case Intro Huaneng Power)*

*Ivey Case: Huaneng Power International Inc.: Raising Capital in Global Markets*

***October 9<sup>th</sup> – October 15<sup>th</sup>: Week 9***

IV. International Portfolio Investments

*Lecture: Int\_Investments*

*Eun and Resnick: Chapter 15*

*Video Segment #13: New Economy*

*Video Segment #14: Siegle and Bubble*

***October 16<sup>th</sup> – October 22<sup>nd</sup>: Week 10***

V. Foreign Direct Investment

*Lecture: Foreign\_Direct\_Investment*

*Eun and Resnick: Chapter 16*

*Video Segment #15: Protectionism*

*Video Segment #16: China and the Tigers*

**HW #2 and Course Project (PRJ #2) Assignments Due:**

- ◆ 2<sup>nd</sup> Group Homework Assignment (HW #2) Due Sat., Oct. 22<sup>nd</sup> by midnight
- ◆ Complete Rough Draft of Course Project (PRJ #2) Due Sat., Oct. 22<sup>nd</sup> by midnight

***October 23<sup>rd</sup> – October 29<sup>th</sup>: Week 11***

**Module 4: Foreign Exchange Exposure and Management**

***Module #4 Introduction Lecture: Intro\_FX\_Exposure\_Man***

I. Foreign Exchange Futures and Options

*Lecture: FX\_Futures\_Options*

*Eun and Resnick: Review Forward Markets in Chapter 5*

*Eun and Resnick: Chapter 7*

**October 30<sup>th</sup> – November 5<sup>th</sup>: Week 12**

II. Currency and Interest Rate Swaps

*Lecture: Currency\_Interest\_Rate\_Swaps*

*Eun and Resnick: Chapter 14*

*Case Lecture -- Harvard Case Introduction: The Walt Disney Company's Yen Financing (Case Intro Disney)*

*Harvard Case: The Walt Disney Company's Yen Financing*

**November 6<sup>th</sup> – November 12<sup>th</sup>: Week 13**

III. Foreign Exchange Transaction Exposure

*Lecture: FX\_Transaction\_Exposure*

*Eun and Resnick: Chapter 8*

**November 13<sup>th</sup> – November 19<sup>th</sup>: Week 14**

IV. Foreign Exchange Economic Exposure

*Lecture: FX\_Exchange\_Econ\_Exposure*

*Eun and Resnick: Chapter 9*

*Case Lecture -- Harvard Case Introduction: Foreign Exchange Hedging Strategies at General Motors: Competitive Exposures (Case Intro FX Hedging GM)*

*Harvard Case: Foreign Exchange Hedging Strategies at General Motors: Competitive Exposures*

*Video Segment #17: Ford*

*Video Segment #18: Kodak*

**November 20<sup>th</sup> – November 26<sup>th</sup>: Week 15**

V. Foreign Exchange Translation Exposure

*Lecture: FX\_Translation\_Exposure*

*Eun and Resnick: Chapter 10*

**HW #3 and Final Course Project (PRJ #3) Assignments Due:**

- ◆ 3<sup>rd</sup> Group Homework Assignment (HW #3) Due Saturday, Nov. 26<sup>th</sup> by midnight
- ◆ Final Course Project Manuscript (PRJ #3) Due Saturday, Nov. 26<sup>th</sup> by midnight

**November 27<sup>th</sup> – December 3<sup>rd</sup>: Week 16**

I. Course Exam: Finish Preparing for the Course Exam

**Final Exam:**

- ◆ Final Exam in class on Saturday, December 3<sup>rd</sup> (during final class meeting)