

GSBA 523
International Financial Management
Spring 2008

Instructor:

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Office Hours:

Tue. 1:30-2:30 p.m.; 6:50-8:20 p.m.
Thu. 1:30-2:30 p.m.; 6:50-8:20 p.m.
& By Appointment

Course Description:

This course provides you with the necessary background on the current structure of the international financial system and the scope of financial management in a multinational context. Students who complete this course will be able to assess a firm's exchange rate exposure and evaluate the use of various foreign currency contracts to manage that exposure. In addition, you will be exposed to various aspects of financial decision-making in multinational firms—e.g., global financing, analysis of foreign investments, short-term and internal funds flow management, etc.

Learning Objectives:

- Foreign Exchange Market – Knowledge of the various foreign exchange markets, including valuation and use of specific contracts;
- International Financial Environment – Gain familiarity with the current international monetary system and the relationship of exchange rates with other economic factors;
- Exchange Risk Management – The evaluation and management of currency risks faced by the firm;
- Global Financing – Familiarity with the international capital markets and common financing techniques;
- Multinational Capital Budgeting – The evaluation and selection of cross-border investments;
- Multinational Cost of Capital – Estimating cost of financing for cross-border capital expenditures;
- Multinational Financial System – The design and use of multinational fund-flow mechanisms to generate cross-border arbitrage profits;
- CSR and Regulatory Arbitrage – Assess the role of governance (corporate and public), politics and ethics in multinational arbitrage.

Course Materials:

Text:

Multinational Financial Management, 8th Ed., by Alan Shapiro (John Wiley, 2006).

Additional Readings:

Firm Multinationality and EU Corporate Governance, from M. Rahman (2006) “Corporate Governance in the European Union: Firm Multinationality and the ‘German’ Model.”

Evaluation:

Exam I	20%
Exam II	30%
Final	30%
Case Studies & Class Participation	15%
Summaries	5%

Format of Exam: A variety of question types such as multiple choices, fill-in-the-blanks, short answers, essays and problems will appear. You are responsible for the lecture materials *as well as* the assigned readings, although the latter may *not* be fully covered in class. Letter course grades will be based on relative class performance.

Note: Please check the examination dates carefully. No permission will be granted to have the examination taken earlier or later except for emergencies. (For details, please refer to the University guidelines). In the event of a justified absence, a *single* make-up exam will be given during the last week of classes. *Also, all electronic communication devices should be switched off during all class meetings.*

Tips: While retaining the rigorous logical structure of finance, the subject matter of this course is quite wide in scope, incorporating aspects of economics, institutional structure, law, politics, accounting, etc. Therefore, staying *current* with the material being covered is extremely important (cramming, I have been told by former students, becomes particularly daunting)—you should *always* do your *first* reading of the material *prior* to classroom coverage. My PowerPoint slide notes can be useful as an organizing tool—I would suggest putting them in a 3-ring binder and interspersing your in-class notes among them. Finally, I cannot know what you did not understand, unless you *tell* me—I *absolutely* encourage requests for on-the-spot clarifications (though a few times I may request that you review it with me during my office hours).

Assignments:

1. Problems: In finance, we use numerical problems (when readily applicable) to illustrate the *essence* of key concepts. I have assigned practice problems along with the chapter readings; additional problems will be distributed in class. I will also provide the solutions. Practice is the key to being able to *recognize* and *solve* numerical problems. In addition, ensuring that you can do so with any problem we do *in-class* or you do *at home*, will give you a good start to your performance in the Exams.
2. Case Studies: Cases will be assigned as we go along. You should come prepared for the discussion. A short manuscript is required.
3. Summaries: To encourage your reading of current affairs related to international finance, you are required to hand in three one-page summaries of current business events. Each summary should:
 - Be one single-spaced, typewritten page at most
 - Indicate the source, title and the related lecture topic; no more than *one* summary per topic grouping (i.e. B-F below)Recommended sources: Wall Street Journal, New York Times, Economist, Euromoney, etc.

Please *retain a copy* of all assignments handed in.

Late assignments will be *penalized* by one letter grade per day.

Statement on Academic Integrity:

Ethical and professional behavior is expected in this course. Acts of academic dishonesty are taken seriously and you are encouraged to review the University's academic integrity policies. Acts of academic dishonesty include: a) unauthorized assistance on an examination; b) falsification or invention of data; c) unauthorized collaboration on an academic exercise; d) plagiarism.

Tentative Class Schedule

Date	Topics	Assignment
	<i>A. Introduction</i>	
1/29	An Overview of International Financial Management	Ch.1: Q1.1,4,5,8,9
	<i>B. International Monetary Environment</i>	
1/31,2/5,7	Foreign Exchange Market	Ch.7: Q7.3-5; P7.1,2,7,9 Ch.4 (p.155-161)
2/12,14	Futures & Options	Ch.8 (skip p.289-295): Q8.4; P8.1,8
2/19,21	Determination of FX Rates International Monetary System	Ch.2 (skip 2.3,4): Q2.3 Ch.3: Q3.3
2/26,28	Parity Conditions and Forecasting (Business Summary #1 due)	Ch.4 (skip p.169-172): Q4.1,2; P4.5,7,9
3/4	<i>Exam I</i>	
	<i>C. Exchange Risk Management</i>	
3/6,11	Accounting Exposure	Ch.10, 10A (skip p.367-369): Q10.1,4, 10;P10.4, 9
3/13,25	Economic Exposure	Ch.11 (skip 11.4): Q11.1,3,4; P11.3,6
	<i>D. Global Financing</i>	
3/27,4/1	International Financing Euromarkets	Ch.12: Q12.2,4,6 Ch.13 (skip 13.3,4): Q13.1-4; P13.1
4/3,8	Swaps (Business Summary #2 due)	Ch.9 (skip 9.3): Q9.1-4
4/10	<i>Exam II</i>	

Date	Topics	Assignment
<i>E. Choice of International Business Activities</i>		
4/15	Trade Financing	Ch.18: Q18.1,4
4/17	International Portfolio Investment Foreign Direct Investment	Ch.15: Q15.2; P15.1-3 Ch.16 (skip16.4)
4/22	Multinational Capital Budgeting	Ch.17(skip 17.3): Q17.1,6
4/24	Cost of Capital	Ch.14(skip 14.2,4) Q14.1
<i>F. Other Financial Decisions of MNCs</i>		
4/29	Current Asset Management	Ch.19(skip p.667-675) Q19.1
5/1	Multinational Financial System	Ch.20: Q20.1,2; P20.1(a,b),2
5/6	CSR and Regulatory Arbitrage	“Firm Multinationality ...”
5/8	Political Risk Management (Business Summary #3 due)	Appendix 17A
5/20	<i>Final Exam: 5:00 p.m.-7:00 p.m.</i>	

The University of San Diego, School of Business Administration U.S.D.'s Learning Environment

The educational mission of the School of Business is to prepare future business leaders. However, the ability and willingness to learn reside in the individual. Very high levels of learning can be achieved only if *all* members of the USD community understand and respect their mutual obligations. Each of us defines the quality of this learning experience through our daily actions and choices.

Excellence in a learning environment is attainable only if faculty and students adhere to the ideals that support high levels of learning. Outlined below is a set of specific expectations -for both students and faculty - that support these ideals.

These mutual expectations are neither trivial nor obvious. They are not trivial because all of us must consistently attend to details and align attitudes with behavior in order to achieve excellence in the learning environment. They are not obvious because of the diversity of cultures and prior experiences among the faculty and students.

EXPECTATIONS FOR STUDENTS

Students will treat their classroom obligations as they would treat any serious professional engagement.

That includes:

- 1) **PREPARING THOROUGHLY** for each session in accordance with the instructor's requests;
- 2) **ARRIVING PROMPTLY AND REMAINING** until the end of each class meeting, except in unusual circumstances;
- 3) **PARTICIPATING FULLY AND CONSTRUCTIVELY** in all classroom activities and discussions;
- 4) **DISPLAYING APPROPRIATE COURTESY** to all involved in the class sessions in the USD community. Courteous behavior specifically entails communicating in a manner that respects, and is sensitive to, the cultural, racial, sexual, and other individual differences in the USD community;
- 5) **ADHERING TO DEADLINES AND TIMETABLES** established by the instructor;
- 6) **PROVIDING CONSTRUCTIVE FEEDBACK TO FACULTY MEMBERS** regarding their performance. Students should be as objective in their comments about instructors as they expect instructors to be in their evaluations of students.

EXPECTATIONS FOR FACULTY

Faculty will treat their obligations for classes as they would treat any serious professional engagement.

That includes:

- 1) **PREPARING THOROUGHLY** for class;
- 2) **PUNCTUALITY** in beginning class sessions, and except under unusual circumstances adherence to the established schedule for classes and exams;
- 3) **PROVIDING SUFFICIENT INFORMATION** and materials to enable students to prepare adequately for class;
- 4) **DISPLAYING APPROPRIATE COURTESY** to all involved in the class sessions. Courteous behavior specifically entails communicating in a manner that respects, and is sensitive to, the cultural, racial, sexual, and other individual differences in the USD community;
- 5) **SUPPLYING TIMELY INFORMATION ABOUT STUDENT PERFORMANCE** on projects, assignments, and examinations;
- 6) **PROVIDING CONSTRUCTIVE FEEDBACK TO STUDENTS** concerning their performance. Faculty should be as objective in their feedback to students as they expect students to be in their evaluation of faculty.