Course Syllabus

FIR4550, International Finance

Fall 2015

3 credit hours

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Homepage: http://umdrive.memphis.edu/cspyun/www
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Welcome:

A warm welcome to International Finance, a subject of growing excitement and importance these days. News headlines have dominated by such topics as “strong U. S. Dollar,” “weak Japanese Yen” and “Greek bailout.” Your knowledge on and understanding of these topics are vital to the advancement of your career in business and economics.

We live in the world of globalism, technology and cyberspace. National economies have become more integrated. Taking advantage of falling regulatory barriers and advance in information technology, many businesses now are transnational in ownership and operation and they compete for worldwide markets.

In our study it is important that you acquire a sense of how financial analysis has become adjusted to the changing problems of the time and how the nature of financial analysis is influenced by the growth of information and the advance in technology. The world in which we live is dynamic and so are financial theory and methods of financial analysis. Remember that the basic concepts, principles, and techniques of financial analysis are inter-related.
The basic concepts, principles, and tools of financial analysis are inter-related. Do not allow a vacuum to develop in any area of our studies: It will be an analytical void difficult to fill through cramming at the last minute.

Course Overview:
We will be concerned primarily with (i) the understanding of financial environment in which multinational corporations operate, and (ii) the development and discussion of various analytical concepts and tools useful for the management of these firms’ financial resources.

Pre-Requisites/Co-Requisites:
The only pre-requisites for this course are curiosity and an open mind. Students who have some background in economics, basic mathematics and accounting would be able to understand the material relatively quicker. So you might need to put in more effort if you are lacking in one or more of the aforementioned areas.

Required Textbook:

Supplemental Reading:
*The Wall Street Journal* is strongly recommended for the course and your career in business. It is required for those who undertake optional team projects described below. It comes in print, digital, and many social network versions. To take advantage of a 75 percent educational discount, visit [https://wsj.com/studentoffer](https://wsj.com/studentoffer)

Location of Course Materials:
Most of the course materials (lectures, discussion topics, news, etc.) will be located on the eCourseware website.

Course Objectives:
The course aims to equip the student with the following:
1. Understand the working of the foreign exchange market. The various participants and the implications of their actions.
2. Be able to comprehend the law of one price
3. Firm grasp over purchasing power parity and related concepts
4. Work the intricacies of the various arbitrages possible in the forex markets
5. The financial functioning of a multi-national corporation including management of working capital, interest rate and currency risks, multinational capital budgeting and cross-border trade financing

Fogelman College: Learning Outcomes for Your Degree:
Please take time to familiarize yourself with the degree requirements for the BBA program at the Fogelman College of business and Economics.
Course Methodology and Procedures:

Students are expected to stay current in their reading assignments and visit regularly the class homepage, eCourseware and http://dropbox.com. The course syllabus, assignments, power point files and class notes are downloadable from the eCourseware. Video/audio files are available from the dropbox.com or the URL addresses, which are marked * on the Assignments below.

Laptops, Notepads, PDA’s, and Calculators: All are allowed in class, but disallowed during exam periods except for one pocket-size calculator including programmable one. Cellular phones/pagers must be turned off at all-time except for vibrator signal.

Exams: Fifty multiple choice and true/false questions on midterm and final exams.

Final Exam Exemption: A student who bests the first or the second midterm exams may opt out the final exam, provided that the average of his/her first and second midterm exams is at least 89, and that he/she hold one “study session” with classmates for the second midterm or the final exams.

Professor’s Expectations of Students:
I expect you to participate in the discussions, read the material and be on top of your assignments. If you have any problems please do not hesitate to reach out.

We are on the honor system. During the exam, (i) students are not allowed to open any notebook, textbook or internet, (ii) only one pocket-size calculator is allowed, and (iii) calculator borrowing or phone-calculator is prohibited. Students are expected to observe the code of silence regarding the contents of test during, and after, the test. Any irregularity observed must be reported to the instructor or the assistant instructor.

Student's Expectations of the Professor:
I aim to provide a structured and organized course which will challenge you, but at the same time will expand your horizons. You can expect a response to your email within two working days and feedback and grades on all submitted assignment within 5-7 calendar days.

Grading and Evaluation Criteria

Will be based on (i) two midterm exams and a final exam, (ii) attendance and (iii) a maximum of 3 bonus points per student for classroom participations, plus another maximum 3 bonus points for an optional team project, if applicable.

The average of the three exams counts 97 points and attendance 3 points. Bonus points will be added to the exam and attendance points. Optional team project credits are also additional.
Attendance: Attendance is required. A total of 10 sample rolls, including occasional two sample rolls on the same day, will be taken throughout the semester, and your attendance points are assigned as follows:

- 8 or more attendance: 3 points
- 7 attendance: 2 points
- 6 attendance: 1 point
- 5 or less attendance: 0 point

**Attendance and “curved grades”:** When test scores are curved to the class norm, the benefits of such a curve will apply to those whose attendance is 6 or more throughout the entire semester. Those whose attendance is five or less forfeit the benefits of the curve on their first and second midterm exams retroactively and their final exam will not be curved.

Your exam, attendance and bonus points, and their letter grade equivalent are:

- 90 -100: A
- 80- 89: B
- 70- 79: C
- 59 - 69: D
- Below 58: F

(I do not use +/- grading.)

(E.g., John made 86, 87 and 92 on his two mid-term and final exams, respectively. He was in attendance 8 roll calls and earned 1 bonus point. His total points and course grade are: \([(86+87+92)/3] .97 = 85.7\) exam points, 85.7 + 3 + 1 = 89.7 total points and an A. If he had missed 6 roll calls and earned no bonus points, his total points and course grade would be 85.7 a B. If he has 3 points from a team project, his course grade would be 88.7, an A.)

Optional team project for bonus points: Collaboration is essential for learning. Team work fosters collaboration, harnessing the synergy of individual members’ diverse talents and creativity. It also enhances communication skill. A three- or four-person team may work on a topic and submits a written report for a maximum of five bonus points which will be added to individual team members’ final grade scale.

Make-up exams are comprehensive and given at the end of the semester. Those who have missed either midterm exams or five or more roll calls forfeit any makeup exam.

**Course Topics:**
This course is divided into three parts.

The first part covers the international financial institutions and markets including corporate governance issues, international monetary system, balance of payments, and foreign exchange markets.

The second part examines both theoretical and empirical issues related to the determination of exchange rates such as the law of one price and international parity conditions. This part focuses
on theories and practices of purchasing power parity, international Fisher effect and covered interest rate arbitrage,

Finally, we analyze and evaluate the key treasury functions of multinational corporations which include the management of working capital, interest rate and currency risks, multinational capital budgeting and cross-border trade financing.

List of Formal Assessed Activities and Schedule

**Assignments** (Subject to change with notice. Any changes in the assignments will be emailed to the entire class.)

*Visit URL addresses shown. **An assignment(s) must be turned in to eCourseware Drop Box by the deadline indicated.

<table>
<thead>
<tr>
<th>Date</th>
<th>Assignments</th>
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| 1st week   | Ch. 1 Introduction to International Financial Management*  
Multinational corporation,  
http://www.youtube.com/watch?v=FCojpFwWuG0  
Ch. 2 International Flow of Fund*  
Balance of payments, current account,  
http://www.youtube.com/watch?v=binCcxxqrvy  
B/P, financial account,  
http://www.youtube.com/watch?feature=endscreen&v=o41umjDuNBc&NR=1  
European debt crisis,  
http://www.youtube.com/watch?v=LKsZ1hqHBHU&feature=related |
|            | Labor Day Holiday                                                                                  |
| 2nd week   | Ch. 3. International Financial Markets*.  
WTO, http://www.youtube.com/watch?v=7iywG3_EG1c  
WTO, IMF and World Bank (Commentary)  
http://www.youtube.com/watch?v=NQ952ba75Yk&feature=related |
| 3rd week   | Ch. 4 Exchange Rate Determination  
**Homework Problems:**  
**Due by Wednesday, 10:00 pm.**  
Ch. 5 Currency Derivatives.  
**Homework Problems:**  
**Due by Saturday, 10:00 pm.** |
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<tr>
<th>Week</th>
<th>Chapter/Topic</th>
<th>Homework Problems</th>
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<td>4th week</td>
<td><strong>First midterm exam</strong> (75 minutes): Chs. 1, 2, 3, 4 and 5.</td>
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<td>4th week</td>
<td>Ch. 6 Government Influence on Exchange Rates</td>
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<td>Ch. 7 International Arbitrage and IRP.*</td>
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<td><strong>Homework problems:</strong> due by Wednesday, 10:00 pm</td>
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<td>5th week</td>
<td>Ch. 8 Relationships Bet. Inflation, Interest Rates &amp; Exch. Rates*</td>
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<td><strong>Homework problems:</strong> due by Wednesday, 10:00 pm</td>
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<td>Ch. 9 Forecasting Foreign Exchange Rates</td>
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<td>6th week</td>
<td>Ch. 10 Measuring Foreign Exchange Exposures*</td>
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<td>7th week</td>
<td>Ch. 11 Managing Transaction Exposures</td>
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<td><strong>Homework problems:</strong> due by Wednesday, 10:00 pm</td>
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<td>7th/8th week</td>
<td>Fall Break</td>
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<td>8th week</td>
<td>Ch. 12 Managing Economic and Translation Exposures</td>
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<td>9th week</td>
<td><strong>Second midterm exam</strong> (75 minutes): Chs. 6, 7, 8, 9, 10, 11, and 12.</td>
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<td>10th week</td>
<td>Ch. 13 Foreign Direct Investment</td>
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<td>11th week</td>
<td>Ch. 14 Multinational Capital Budgeting</td>
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<td>11th week</td>
<td>Team reports due Friday, 10:00 pm. The deadline will not be extended</td>
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<td>Ch. 17 Multinational Cost of Capital &amp; Capital Structure*</td>
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<td>12th week</td>
<td>Ch. 16 Country Risk Analysis</td>
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<td>Supplemental reading: Haner Index *via email.</td>
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<td>13th week</td>
<td>Ch. 19 Financing Foreign Trade</td>
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<td>Thanksgiving Holidays</td>
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<td>14th and 15th week</td>
<td>Ch. 21 International Cash Management*</td>
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<td><strong>Homework problems:</strong> due by Wednesday, 10:00 pm</td>
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<td>15th week</td>
<td><strong>Final exam</strong> (60 minutes): Chs. 10-21 excluding Chs. 15 and 20</td>
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**Course Policies:**
E-MAIL:
Emails will be sent only to those addresses that I retrieve digitally from University Records Office. Notifications about changes in the syllabus or assignments will be done via these email addresses. Any inability to receive incoming mail in a timely fashion (e.g., not regularly checking your email, having a “full mailbox” condition, etc.) is the student’s responsibility.

Attendance:
Attendance is required. A total of 10 sample rolls, including occasional two sample rolls on the same day, will be taken throughout the semester, and your attendance points are assigned as follows:

- 8 or more attendance: 3 points
- 7 attendance: 2 points
- 6 attendance: 1 point
- 5 or less attendance: 0 point

Adding/Dropping:
Please refer to the following page if you have any questions about adding or dropping classes. Registrar’s website.

Academic Integrity:
We are on the honor system. During the exam, (i) students are not allowed to open any notebook, textbook or internet, (ii) only one pocket-size calculator is allowed, and (iii) calculator borrowing or phone-calculator is prohibited. Students are expected to observe the code of silence regarding the contents of test during, and after, the test. Any irregularity observed must be reported to the instructor or the assistant instructor.
Note that using a “Solutions Manual” is considered cheating. Should your professor have evidence that using a “Solutions Manual” has occurred, he/she may take steps as described on the campus’ Office of Student Conduct website.
Also review the Fogelman College's Website on Academic Integrity.

Participation:
Learning is incomplete without being able to communicate the ideas that you have learnt in a clear and concise manner. Also communication also helps to iron out any inconsistencies that you have in understanding of any of the fundamental concepts. Please do not think about asking a silly question. NO QUESTION IS SILLY. Actively participate in the class discussions and try to help out your fellow student and you will realize that in the process you have helped yourself.

Classroom or Online Behavior:
Be collegial in the classroom and with the members of your group for the group projects that you decide to undertake. “It is okay to disagree as long as you are agreeable.” I expect all students to be sensitive to their fellow class mates and no disrespect of any nature will be tolerated.

Late Assignments:
Assignment must be submitted before the deadline. I encourage early submissions. Late turn-in will not be graded and no credit will be given.

Extra Credit:
Optional team project for bonus points: Collaboration is essential for learning. Team work fosters collaboration, harnessing the synergy of individual members’ diverse talents and creativity. It also enhances communication skill. A three- or four-person team may work on a topic and submits a written report for a maximum of five bonus points which will be added to individual team members’ final grade scale.

Reporting Illness or Absence:
I suggest that you try and submit your assignments as early as possible and not wait till the last day for submission. I will not accept any request for extension due to any emergency or illness 12 hours before deadline.

Inclement Weather:
In the event that inclement weather requires the cancellation of classes at The University of Memphis, local radio and television media will be immediately notified. Additionally, The University of Memphis has established an Inclement Weather Hotline at 678-0888 as well as TigerText, an emergency alert text messaging service to students, faculty and staff. This optional service is used in the event of an on-campus emergency, an unscheduled university closing, or a delay or cancellation of classes due to, for instance, inclement weather. Click Here for information on TigerText.

Syllabus Changes:
I reserve the right to make any changes to the syllabus and you will be notified of the same via email and notification on the ecourse webpage.

Student Services:
Please access the FCBE Student Services page for information about:
- Students with Disabilities
- Tutoring and other Academic Assistance
- Advising Services for Fogelman Students
- Technical Assistance