

FIN 571
International Business Finance

I. Course Description

The scope and content of international finance have been fast evolving due to the deregulation of financial markets, product innovations, and technological advancements. As capital markets of the world are becoming more integrated, a solid understanding of international finance has become essential for effective corporate decision making and risk management. We will study three major areas that set international financial management apart from domestic corporate finance, namely, (i) foreign exchange and political risks, (ii) market imperfections, and (iii) expanded opportunity set. Students will be introduced to international finance by means of looking at how firms and governments inter-react with these markets. The course will emphasize the link between theory and applications.

II. Prerequisite

FIN 504, Financial Management, or consent of instructor.

III. Course Objectives

Upon the successful completion of International Business Finance, students should be able to perform the following tasks:

1. Students will be able to *apply* knowledge of the interconnectedness of global dynamics.
 - An understanding and application of concepts and tools of exchange rate risk management for a multinational enterprise with ability to measure financial decisions in a risk/return environment as related to global business.
2. Students will be able to analyze exchange rate behavior and the equilibrium theories.

IV. Required Course Materials

1. International Financial Management, 11th edition, Jeff Madura, South-Western Cengage Learning (ISBN: 0-538-48296-6)

2. Financial Calculator: Texas Instruments BAII Plus calculator or comparable (not alpha programmable). For free guidebook/reference of TI BAII+, see:
http://education.ti.com/guidebooks/financial/baiipluspro/BAIPLUSPROGuidebook_EN.pdf or http://movies.atomiclearning.com/k12/ti_ba2/

V. Recommended Reading

Wall Street Journal, Financial Times, The Economist

VI. Policies and Procedures

The student is responsible for all material covered and all information disseminated when he/she misses a class or arrives late.

Email Use

The best way to communicate with me outside of class is by email. You should expect a response to your emails within 24 hours during regular business hours on weekdays. You have to send emails from your myLeo accounts.

Exams

There will be three exams, including two midterm exams and a mandatory comprehensive final exam. The exams will be closed book and closed notes. Students should bring a financial calculator to the exams. Sharing of calculators and the use of a laptop or any other electronic device will not be allowed during an exam.

There will be no makeup exams. If you have to miss an exam because of an excusable and verifiable reason, you must contact me before the exam. Failing to do so or failing to provide documentation of the reason for absence from a medical doctor or TAMU-Commerce official will result in a grade of zero on the exam. **If I were to excuse you from an interim exam, the weight of the missed exam will be added to the weight of the final exam.** Regardless of the excuse, if you miss two exams you will automatically fail the class.

Individual Term Paper

During the semester, you need to stay informed on current developments that are relevant to international finance and financial institutions. You will have to write a ten-page paper on an important topic about current news items dealing with international financial developments. Your paper should clearly identify the problem/issue that you intend to study. You will have to provide a thorough analysis of your chosen topic including your own recommendations/critiques based on your study of international business finance. The written report is to be typed using a **12-point font**; the pages should be **numbered** and have **1-inch margins** on all sides. It should be **double-spaced** and **should not exceed 10 pages (including references)**. **An unexcused late assignment will not be accepted and a zero grade will be assigned.**

Homework

End of chapter questions & problems and other questions & problems will be assigned as homework. You do **not** have to submit the solutions. To enhance learning, you should devote some time to these assignments. Some (but not all) of the problems on the exams will be similar to the problems in these homework assignments.

Grading

No assignment for extra credit will be given to any individual student. For grading purposes, the following weights will be assigned:

Class Participation	5%
Term Paper	15%
Mid-term examination I	24%
Mid-term examination II	24%
Final examination	32%

and letter grades applied as follows:

90 – 100	A
80 - 89.99	B

70 - 79.99	C
60 - 69.99	D
0 - 59.99	F

NOTE: All cell phones must be turned off and out of sight during class. **A student with a visible cell phone or other electronic device other than a stand-alone calculator during an exam will not be allowed to complete the exam and will receive a grade of zero for the exam. Anyone late to class 15 minutes or more (including final exam) will not be allowed to take the exam.**

VII. Progression of Course

This agenda is subject to change. The exact timing of lectures and content of exams will depend on the flow of the course. I EXPECT ALL STUDENTS TO HAVE READ ALL ASSIGNED MATERIAL BEFORE CLASS.

VIII. Progression of Course

Theme: The International Financial Environment

Chapter 1 – Multinational Financial Management

Chapter 2 – International Flow of Funds

Chapter 3 – International Financial Markets

Chapter 4 – Exchange Rate Determination

Exam 1

Chapter 5 – Currency Derivatives

Extra Readings Assigned

Theme: Exchange Rate Behavior

Chapter 6 – Government Influence on Exchange Rates

Extra Readings Assigned

Chapter 7 – International Arbitrage and Interest Rate Parity

Chapter 8 – Relations among Inflation, Interest Rates and Exchange Rates

Exam 2

Chapter 10 – Measuring Exposure to Exchange Rate Fluctuations

Theme: Exchange Rate Risk Management

Chapter 11 – Managing Transaction Exposure

Extra Readings Assigned

Chapter 12 – Managing Economic Exposure and Translation Exposure

Chapter 13 & 16 – Direct Foreign Investment & Country Risk Analysis

Extra Readings Assigned

Theme: Long-Term Asset and Liability Management

Chapter 17 – Multinational Capital Structure and Cost of Capital

Extra Readings Assigned

Final Comprehensive Examination

VIII. Other Information

You shall start studying early in the course, well before the test/exam, to give yourself a head start in learning the material. When you don't understand course material, ask questions either in class, during office hours or by email. You will not get good grades if you wait until a week or couple of days before the test/exam to start studying.

Syllabus Addendum

Academic Integrity/Ethics:

Integrity will be stressed throughout the course. Refer to Student's Guide Book located at for the University policy on academic honesty:

www.tamu-commerce.edu/studentlife/guidebook.htm

All students enrolled at the University shall follow the tenets of common decency and acceptable behavior conducive to a positive learning environment.

You are expected to maintain high standards of integrity and honesty while pursuing your academic goal(s). The university's statement on academic honesty is found in the Texas A&M University-Commerce Procedures, A13.12, Academic Honesty. Academic dishonesty is defined in the following manner:

"Academic dishonesty includes, but is not limited to, plagiarism (the appropriation or stealing of the ideas or words of another and passing them off as one's own), cheating on exams or other course assignments, collusion (the unauthorized collaboration with others in preparing course assignments), and abuse (destruction, defacing, or removal) of resource material."

Your grade is to reflect your work alone, and likewise, your classmates' grades are to reflect their work alone, and not yours. *Students found to have committed academic dishonesty will automatically receive a failing grade for the course and will be referred to Dean of the College of Business and Technology for possible expulsion from the program.* All students enrolled in this course are required to sign and submit an Academic Honesty Policy form during the first week of the course.

Students with Disabilities:

The Americans with Disabilities Act (ADA) is a federal anti-discrimination statute that provides comprehensive civil rights protection for persons with disabilities. Among other things, this legislation requires that all students with disabilities be guaranteed a learning environment that provides for reasonable accommodation of their disabilities. If you have a disability requiring an accommodation, please contact:

Office of Student Disability Resources and Services

Texas A&M University-Commerce

Gee Library

Room 132

Phone (903) 886-5150 or (903) 886-5835

Fax (903) 468-8148

StudentDisabilityServices@tamuc.edu

Attendance Policy:

Students are expected to attend each class and students are expected to come to each class with their assignments completed. Students who must miss a class are responsible for securing any and all assignments for coursework missed.

Drop Policy:

See University drop policy.