The Course Objectives

This course extends the investment analysis and corporate finance to international environment. The goal is to provide a framework for making financial decisions in an international context. The course is divided into three sections: (1) globalization of world capital markets and the international financial environment, (2) international investment analysis, (3) international corporate finance. Students will be exposed to a broad range of topics in international finance, including risk management issues a multinational corporation faces. The course focuses on lectures and case discussion.

Prerequisites

This is an elective course in finance and builds upon materials and concepts covered in your core courses. At a minimum, a thorough understanding of the materials covered in FNAN 301 and FNAN 311 is assumed. Additionally, you should be familiar with the materials covered in ECON103, ACCT203, and DESC210. I also assume you are familiar with MS Excel software, as you will have a lot of hands-on experience with Excel in case solving. The goal of the course is to advance you towards beginning a career or winning a place in graduate school.

Course Resources and Support Items

- Textbook (required): Cheol S. Eun and Bruce G. Resnick, International Financial Management 5th edition, (McGraw-Hill). If you want to use a different version, it will be up to you to cross check the materials.
- A calculator is required. Sometimes, class lectures will involve working through problems. Thus, you should have your calculator ready before class starts.
A subscription to the *Financial Times* is strongly recommended. Other helpful periodicals include the Wall Street Journal, Economist, Barron’s, Business Week, and other financial newspapers.

**Lectures**

Lecture notes and other course materials will be distributed via course website through MyMason. Lecture is an important part of the course. Since you have enrolled in this class, I assume you are interested in the subject and want to be in the class. I expect that you attend each class and actively participate in class discussion. General class participation may factor positively into grading in the event that a student is on the border between grades. If you have to miss a class with legitimate reason, I expect an explanation before or after class.

I will summarize major topics, clarify certain concepts from previous lecture, answer general questions, and make important announcements (including upcoming exam and cases) at the beginning of the class. The students are fully responsible for any missed information if he/she misses or comes late for a class.

**Office Hours**

I suggest we try resolving any issues and questions either right before or after class, or during a specifically setup appointment. I recommend that you generally contact me by email – I am quick to respond. I also open to assign specific time slots as office hours before exams if needed.

Note: Before each exam, I will conduct a short review that most students find helpful. I will be happy to meet with you by appointment up to the day prior to the exam, but I will not schedule any appointments or answer any questions on the day of the exam.

**Homework Problems**

There are no homework assignments in this class. If you want to work examples from the back of the textbook and want to check your answer, I will leave the solution manual with Cheryl Welch, the finance area program specialist, in Enterprise Hall 240. You can check it out for one hour at a time. However, I will post current and past articles from the financial press to BlackBoard that I expect you to read.
Exams

The two in-class midterm exams and one final exam are scheduled as follows:

Exam 1 (non-cumulative): September 26 (Wednesday)
Exam 2 (non-cumulative): October 31 (Wednesday)
Final exam (cumulative): December 12 (Wednesday) at 4:30PM

Mark your calendar! If you have conflict, I suggest you consider dropping the course. I will not be able to accept any excuse except for a serious reason. Such serious circumstances must be validated in writing by an appropriate accredited professional (i.e., medical doctor). In the case of a missed exam with legitimate reason, the weight of the final exam will increase accordingly, and relevant questions from the missed exam material might be added to your final exam.

All exams are closed-book and closed-notes. Students should come to take the exam on time. If a student comes late for an exam, he/she will NOT be given extra time to finish the exam. You will be required to bring your own financial calculator to the exams. Sharing of calculators will not be permitted.

Grading

Final grades for the course will be determined out of 100 points. I will assign letter grades according to your total score relatively to the distribution of the overall total score. Your final grade for the course will be based on:

<table>
<thead>
<tr>
<th>Course Components</th>
<th>% of Grade</th>
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<tbody>
<tr>
<td>Exam 1</td>
<td>20</td>
</tr>
<tr>
<td>Exam 2</td>
<td>20</td>
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<tr>
<td>Final Exam</td>
<td>25</td>
</tr>
<tr>
<td>Group Project Reports</td>
<td>10 x 3</td>
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<tr>
<td>Group Project Presentation</td>
<td>5</td>
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<tr>
<td>Total Grade</td>
<td>100</td>
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Group Projects

The cases are short, but they will allow you to deepen your understanding through in-team discussions. Depending on the enrollment in the course, I plan to have groups of 3 students. For each case you may choose a different group.

I expect a short write-up of about 4-5 pages for each case not including graphs, tables, and cover page. You have to use a cover page, which only lists the title of the project and all group members. Your name must be included in the write-up to receive credit. Check the course outline when the individual write-ups are due. We will discuss these cases in the class following the deadline.
The three projects are:

- **Investment Risks around the World:** This project gives the students an opportunity to do research on political risk, currency risk, and other risks in different countries.

- **Testing International Parity Relations:** This is a project asking you to evaluate and test parity relationships in international finance.

- **Optimal International Portfolio Selection:** This case will offer a hands-on experience in solving an international portfolio optimization problem.

**Other Policies**

**Bonus Points:** At the beginning of each class, one student can have three minutes to talk about current issues related to international finance. Each quality talk earns you one extra point. A student may have up to three such opportunities.

**Appeals:** Grading errors should be corrected. Appeals must be in writing, within **one week** after the graded work is returned—not the date you first look at it. Before requesting for re-grading, please first check the exam solution carefully. In case an appeal is necessary, please do the following:

Turn in a written explanation of why you believe that an appeal is necessary. You will be given only one opportunity to argue your case, so make your argument as clear and strong as possible. Please type or print your explanation to make it legible.

Note: In general, to ensure that no other mistakes are made, I will re-grade the entire document. This may result in a higher or lower grade once the submitted material has been re-evaluated.

**Academic Misconduct:** It causes failing the course and triggers quite unpleasant university-mandated procedures which result in further sanctions. Academic misconduct includes, but is not limited to, giving or receiving information during an exam and submitting plagiarized work for academic requirements. You may find GMU Honor System and Code at [http://academicintegrity.gmu.edu/honorcode/](http://academicintegrity.gmu.edu/honorcode/).

**University Office of Disability Services:** If you need academic accommodations, please contact the Disability Resource Center (DRC) at (703) 993-2474. It is the responsibility of the student to inform the instructor and provide proper documentation *in advance*. All academic accommodations (including exams) must be arranged through the DRC.
Tentative Course Outline

Each class period includes required readings from the textbook Eun and Resnick, 5th ed. (ER), 2009. Except for the dates of the exams and the project deadlines, the dates in the course schedule are approximate and could be subject to change.

I. Globalization and International Finance

Weeks 1 (Aug. 29): Course Introduction and Background
Course Syllabus and ER1

Week 2 (Sep. 5): International Monetary System and FX Markets
ER2 and ER5

Week 3 (Sep. 12): FX Markets and Parity Conditions
ER5 and ER6

Week 4 (Sep. 19): Parity Conditions and Review
ER6

Week 5 (Sep. 26): Exam 1 and Case 1 Presentation and Discussion

II. International Investment Analysis

Week 6 (Oct. 3): International Bond and Equity Markets
ER12 and ER13

Week 7 (Oct. 10): Diversification and International Asset Pricing
ER15

Week 8 (Oct. 17): No class meeting (FMA Annual Conference)

Week 9 (Oct. 24): Overflow and Review, Case 2 Presentation and Discussion

Week 10 (Oct. 31): Exam 2 and Foreign Currency Derivatives
ER7

III. Foreign Currency Hedging

Week 11 (Nov. 7): Foreign Currency Derivatives
ER7

Week 12 (Nov. 14): Foreign Currency Derivatives and Case 3 Presentation and Discussion
ER7
Week 13 (Nov. 21): Thanksgiving Recess

Week 14 (Nov. 28): Transaction Exposure
ER8

Week 15 (Dec. 5): Operating Exposure and Review
ER9