Course Objectives
This is a course in international financial management. The emphasis is on decisionmaking about financial issues in the international context, as well as on understanding how international financial markets work. This means looking at financing sources in international markets such as the Eurocurrency market and domestic financial markets in various countries. It means looking for investment opportunities, short-term and long-term, in different countries and currencies. And it means dealing with the principal risk that differentiates domestic from international finance: exchange rate risk. Some macro topics are also covered: determination of the exchange rate; the balance of payments; ways in which government policies affect the exchange rate; the roles of the IMF and the euro; and the 2008-9 financial crisis.

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 analysis and problem 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): Eiteman, Stonehill and Moffett, Multinational Business Finance. 13th edition, (Pearson). If you want to use an earlier version, it will be up to you to cross-check the materials.
- Coursepack: the one case from Harvard Business School is available at the website: https://cb.hbsp.harvard.edu/cbmp/access/22522610
- 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, the Economist, Barron's, Business Week, and other financial newspapers.
Lectures
Lecture contents in powerpoint and other course materials will be distributed via the course website. 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 will attend each class and actively participate in class discussion. General class participation is part of the course evaluation. 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. You are fully responsible for any missed information if you miss or come 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 pre-arranged appointment. I recommend that you generally contact me by email – I am quick to respond.

Homework Problems
There are four homework assignments in this class. They are all in the form of case analyses, which you will complete in the team to which you are assigned.

Exams
The midterm exam and final exam are scheduled as follows:

**Midterm Exam: **October 22 (Tuesday)

**Final exam (non-cumulative): **December 10 (Tuesday) at 2:30 PM [time assigned by GMU]

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 calculator to the exams. Sharing of calculators will not be permitted. Sample exams with solution guides from previous courses will be posted on the website for your use.

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>Midterm Exam</td>
<td>25%</td>
</tr>
<tr>
<td>Final Exam</td>
<td>25%</td>
</tr>
<tr>
<td>Team Project/case Reports 4 x 10% each =</td>
<td>40%</td>
</tr>
<tr>
<td>Class Participation</td>
<td>10%</td>
</tr>
<tr>
<td>Total Grade</td>
<td>100%</td>
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</tbody>
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Group Projects
The four 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 teams of 5 students. I expect a short write-up of about 4-5 pages (1000 words maximum) for each case, not including graphs, tables, and appendices. Your name must be included in the write-up to receive credit. Check the course outline to see when the individual write-ups are due. We will discuss these cases in the class following the deadline. A format for case analyses is posted on our website.
Other Policies

**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.

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**COURSE OUTLINE**

**Week 1**

The Role of the International Financial Manager; International Financial Markets

Aug 26

* course introduction
* assignment of case teams

Reading : Eiteman, Stonehill, & Moffett (ESM), chapter 1.

Case : “Facebook International Financing”. [for class discussion only on Sept 3]

**Week 2**

The Foreign Exchange Market & Determination of Exchange Rates

Sept 2

* structure & functioning of the forex market
* economic fundamentals: PPP and IFE
* influence of government policies

Reading : ESM chapters 6, 7.
Grosse, Ch 7 in Rugman & Collinson.

Case : “How to Survive the euro” [due Sept 12 in writing by teams]

**Week 3**

Forecasting Exchange Rates

Sept 9
Readings:  
Eiteman, Stonehill, y Moffett, Chap. 9  
Christopher Neely, Exchange Rate Forecasting with Technical Analysis.  
Grosse, “Exchange Rate Determination with Fundamentals: PPP and IFE”

Case:  
Forecast of the Chilean peso or the Japanese yen exchange rate at September 2014. [for class discussion only on Sept 10]

**Week 4**  
**Protection against Exchange Risk**

*Sept 16*

* transactions risk

Readings:  
ESM chap. 8, 10.  
Grosse, “Risk Management in the Global Firm”  
Exchange Rate Quotes from Wall Street Journal and The Financial Times.

Case:  
General Electric Exchange Risk Management. [for class discussion only]

**Week 5**  
**Exchange Risk, round 2**

*Sept 23*

* operational risk  
* competitive risk

Case:  
either Vanguard Security or Cemex, due in writing on Sept 24 before class.

**Week 6**  
**International Money & Capital Markets**

*Sept 30*

* The Eurocurrency Market  
* Using Overseas Domestic Markets  
* Using the Euromarkets  
* Depositary Receipts  
* Financial Innovations

Readings:  
ESM chap. 14.  
Arzac, “Financing in International Capital Markets”
Case       : “Televisa acquisition of Univision” [for class discussion on Oct 3]

Week 7       The International Monetary System; the euro
Oct 7
* functioning of the European monetary union
* fixed vs. flexible exchange rates and ‘dollarization’

Readings: ESM, Chapter 3.
Readings to be announced on the euro and EMU

Week 8       The Balance of Payments
Oct 14
* Understanding the BOP
* Balance of payments adjustment
* Government macro policies and the BOP

Week 9       Mid-term Exam
Oct 21

Week 10      International Banking & Financial Crisis
Oct 28
Readings: Shapiro, Chap. 17.
ESM, Chap. 5

Case : “Ping An’s Overseas Expansion” [due in writing from teams before class on Oct 31] case is in coursepack: https://cb.hbsp.harvard.edu/cbmp/access/22522610

Week 11      Capital Budgeting in the MNE
Nov 11
* Accounting for Foreign Currency Activities
* Sensitivity Analysis
* Projects as Real Options

Readings: ESM, Chapter 18
Luehrman, Investment Projects as Real Options, HBR
Case: Inversiones Argentinas, S.A.

**Week 12**

**Nov 18**

**Foreign Direct Investment**

* a managerial perspective
* decision criteria

**Reading:**

ESM chap. 17.
* Grosse, Foreign Direct Investment

**Case:**

LanChile [due in writing by teams before class on Nov 21]

**Week 13**

**Nov 25**

**Thanksgiving Break**

**Week 14**

**Dec 2**

**International Portfolio Diversification**

* benefits from international diversification

**Reading:**

ESM, Chap. 16.
t.b.a.

**Case:**

design an international portfolio (for class discussion)

**Week 15**

**Dec 9**

**International Working Capital Management**

* international cash management
* transfer pricing in the multinational firm

**Reading:**

ESM chap. 19.

**Case:**

optimal remittance policy in Poland

**Week 16**

**Dec 17**

**Final Exam**

[date and time set by GMU] [Tuesday, Dec 19 1:30 pm]