



Vesalius College
Brussels

VESALIUS COLLEGE vzw/asbl

Spring 2017

BUS 325G

INTERNATIONAL FINANCE (6 ECTS)

Contact Details for Professor

Prof. Dr. Sven Van Kerckhoven

Office hours and location:

Course Prerequisites

ECN 101P, BUS 101P

Learning Objectives

After this course, you should be able to:

1. Distinguish the specifics of financial management in an international setting compared to the national setting.
2. Apply macroeconomic and institutional foundations to the evolution of the world's international monetary systems, and corporate governance practices around the world.
3. Determine the fundamental international parity relationships among exchange rates, interest rates and inflation rates.
4. Apply basic valuation models towards exchange-traded currency futures and options contracts.
5. Analyze the transaction, economic and translation exposure of a multinational corporation (MNC) and develop adequate hedging strategies.
6. Develop the tools necessary to manage exchange rate uncertainty.
7. Identify and apply diversification strategies for international portfolio investment management
8. Analyze financial management practices for the MNC, including foreign capital expenditures, international capital structure and the cost of capital, international capital budgeting, multinational

cash management and trade financing

9. Freely orient yourself within the international tax environment and elaborate transfer pricing strategies

Course Description

The course aims at providing a solid understanding of international finance within complex capital markets context and emphasizes the managerial perspective for a multinational corporation (MNC). Based on macroeconomic and institutional foundations, more advanced techniques and instruments for managing the foreign exchange exposure and risk of MNCs are developed. The course further addresses international banking and money markets.

Students will be prepared to, and provided with the skills required for, international investment management, cross-border acquisitions, international capital budgeting, and multinational cash management and trade financing.

Active Learning

Learning should be an active experience. Students who passively listen to lectures, copy someone else's notes, and limit their readings to the bare minimum are unlikely to develop their critical thinking potential and expand their personal knowledge system. This might not only pose problems during the course and the exams, but also during your later career.

Students are strongly recommended to have an updated understanding of current events. Active learning will turn out to be enriching to the overall course and class discussions. For this course, it is strongly recommended (and even required) to keep yourself up to date through newspapers such as the Financial Times, and weekly magazines, such as the Economist.

Articles

Every week, students can be assigned a scientific journal article or a business case. Students can be picked to shortly present and discuss the main findings during class the next week. In the case of a business case, students should hand in their main findings.

Course Materials

Textbook:

"International Financial Management" by Cheol Eun, Bruce Resnick; 7th edition published by McGraw-Hill Education.

Readings are an essential part of the content of the class as well. The references provided hereunder are an indication but can be adapted or changed by the instructor.

Grading Scale of Vesalius College

Vesalius College grading policy, in line with the Flemish Educational norms, is stated below:

Grade	Scale of 20	Scale of 100
A	17.0-20.0	85-100
A-	16.1-16.9	81-84
B+	15.3-16.0	77-80
B	14.5-15.2	73-76
B-	13.7-14.4	69-72
C+	13.1-13.6	66-68
C	12.3-13.0	62-65
C-	11.5-12.2	58-61
D+	10.7-11.4	54-57
D	10.0-10.6	50-53
F	Below 50	0-49

Course Assessment

The students will be evaluated on the basis of their performance as follows:

☆ Class tests & home assignments	20%
☆ Term project	20%
☆ Mid-term examination	30%
☆ Final examination	30%
TOTAL	100%

Grading Criteria

The following criteria will be applied in assessing your written work:

- Evidence of understanding the concepts, theories and ideas developed in the course.
- Ability to apply the acquired theoretical knowledge towards analyzing and solving financial assignments and case studies.

Additional Course Policies

1. Students are requested to read in advance the chapters which will be discussed during the classes in order to have a clear idea about the concepts exposed and benefit from the course to the maximum degree.
2. The class attendance is not included in the grade computation, though the frequent in- class tests and the individually assigned homework, taken together, account for 20% of the final grade. Therefore, any absence will result in a deduction of one percentage point from the overall course grade.
3. It is categorically prohibited to use the cell phones during the classes. Anybody violating this

requirement will be requested to leave the class, consequently losing the attendance points for that specific class.

4. Students should refer from behaving in ways in consistent with academic honesty. Cheating and plagiarism are serious breaches of academic integrity and will be judged as such. Following the College policy, cheating and plagiarism cases will be communicated in writing to the Associate Dean for Students and submitted to the Student conduct Committee for disciplinary action. If you refer to someone's work, appropriate references and citations must be provided.
5. Grammar, spelling, lay-out and punctuation are important during your career. Please do use the appropriate tools before submitting any assignment.
6. All assignments are due by the deadline specified by the instructor. Late assignment submissions are subject to the explicit approval by the instructor and their number should be kept to a minimum. Assignments which have not received such approval will not be academically credited. **Late assignments are not allowed. You must be in attendance on the day assignments are due; if you are not in attendance your work will not be graded without medical statement.**

Late Assignments can only be accepted with a medical statement:

Without a medical statement the work is due five days after the validation period of the medical statement:

- 1 Day- 10% reduction off the original grade
- 2 Days- 20% reduction off the original grade
- 3 Days- 30% reduction off the original grade
- 4 Days- 40% reduction off the original grade
- 5 Days- 50% reduction off the original grade

Academic Honesty Statement

Academic dishonesty is **NOT** tolerated in this course.

Academic honesty is not only an ethical issue but also the foundation of scholarship. Cheating and plagiarism are therefore serious breaches of academic integrity.

Following the College policy, cheating and plagiarism cases will be communicated in writing to the Associate Dean for Students and submitted to the Student Conduct Committee for disciplinary action.

If you refer to someone else's work, appropriate references and citations must be provided. Grammar, spelling and punctuation count, so use the tools necessary to correct before handing in

assignments.

Course Schedule

PART ONE Foundations of International Financial Management

Topic 1 Globalization and the Multinational Firm

Guiding questions:

- What is special about international finance?*
- What are the major trends in the international economy?*

Topic 2 International Monetary System

Guiding questions:

- How has the international system evolved?*
- What were the recent crises in the international system?*

Topic 3 Balance of Payments

Guiding questions:

- What does balance of payments mean?*
- How is it calculated?*

Topic 4 Corporate Governance Around the World

Guiding questions:

- How is the agency problem addressed?*
- How can corporate governance be reformed?*

PART TWO The Foreign Exchange Market, Exchange Rate Determination, and Currency Derivatives

Topic 5 The Market for Foreign Exchange

Guiding questions:

- How does the FX market work?*
- What are the spot and the forward market?*

Topic 6 International Parity Relationships and Forecasting Foreign Exchange Rates

Guiding questions:

- What is the effect of international parities?*
- How can one forecast exchange rates?*

Topic 7 Futures and Options on Foreign Exchange

Guiding questions:

-How do futures and options work in the international market?

PART THREE Foreign Exchange Exposure and Management

Topic 8 Management of Transaction Exposure

Guiding questions:

-What is transaction exposure

-How can one hedge against this?

Topic 9 Management of Economic Exposure

Guiding questions:

-What is economic exposure?

How can one manage this?

Topic 10 Management of Translation Exposure

Guiding questions:

-What is translation exposure?

-How can this be managed?

PART FOUR World Financial Markets and Institutions

Topic 11 International Banking and Money Market

Guiding questions:

-What are the recent trends in the financial markets

-What are the types of international banks?

Topic 12 International Bond Market

Guiding questions:

-What are the different types of bonds?

Topic 13 International Equity Markets

Guiding questions:

-How can one measure global markets?

-How can one trade in international equities?

Topic 14 Interest Rate and Currency Swaps

Guiding questions:

-What are the different types of swaps?

-How do swaps work?

Topic 15 International Portfolio Investment

Guiding questions:

-How can you diversify portfolio risk in an international environment?

-What are the different tools to do so?

PART FIVE Financial Management of the Multinational Firm

Topic 16 Foreign Direct Investment and Cross-Border Acquisitions

Guiding questions:

-Why do firms invest overseas?

Topic 17 International Capital Structure and the Cost of Capital

Guiding questions:

-What is the cost of capital?

-Does it differ among countries?

-What is the pricing to market phenomenon?

Topic 18 International Capital Budgeting

Guiding questions:

-What is the Adjusted Present Value model?

Topic 19 Multinational Cash Management

Guiding questions:

-How can one manage international cash balances?

Topic 20 International Trade Finance

Guiding questions:

-How can firms trade in such a volatile environment?

Topic 21 International Tax Environment and Transfer Pricing

Guiding questions:

-How can firms manage their taxes in an international environment?

Course Planning

Weeks	Topics	Assignments
Week 1: 20 January – 24 January	Chapter 1: Globalization and the Multinational Firm Chapter 2: International Monetary System	
Week 2: 27 January – 31 January	Chapter 3: Balance of Payments Chapter 4: Corporate Governance Around the World	

Week 3: 03 February – 07 February	Chapter 5: The Market for Foreign Exchange	Class test / Home assignment
Week 4: 10 February – 14 February	Chapter 6: International Parity Relationships and Forecasting Foreign Exchange Rates Chapter 7: Futures and Options on Foreign	
Week 5: 17 February – 21 February	Chapter 8: Management of Transaction Exposure	Deadline: executive summary of the term project
Week 6: 24 February – 28 February	Chapter 9: Management of Economic Exposure Chapter 10: Management of Translation Exposure	Class test / Home assignment
Week 7: 03 March – 07 March	Mid-term Examination	
Week 8: 10 March – 14 March	Chapter 11: International Banking and Money Market	
Week 9: 17 March – 21 March	Chapter 12: International Bond Market Chapter 13: International Equity Markets	
Week 10: 24 March – 28 March	Chapter 14: Interest Rate and Currency Swaps	Class test / Home assignment
Week 11: 31 March – 04 April	Chapter 15: International Portfolio Investment	Deadline: submission of the term project
07 April – 18 April	Spring Recess: No classes	
Week 12: 21 April – 25 April	Chapter 16: Foreign Direct Investment and Cross- Border Acquisitions Chapter 17: International Capital Structure and the	
Week 13: 28 April – 02 May	Chapter 18: International Capital Budgeting Chapter 19: Multinational Cash Management	
Week 14: 05 May – 09 May	Chapter 20: International Trade Finance Chapter 21: International Tax Environment and Transfer Pricing	Class test / Home assignment
Week 15: 12 May – 16 May	Final Examination	

Additional information on assignments

Mid-term and final examinations

The mid-term and the final examinations will consist of a few shorter and longer questions. For the mid-term, students should study the materials covered in class over the first weeks. For the final examination, students should study everything up from the weekend after the mid-term. Location and time will be announced once the mid-term and final exam schedule are posted. The examinations will test both the theoretical knowledge of the concepts and tools described in class, as well as exercises testing the student's capability to apply that knowledge. Both the mid-term and the final examination will mostly consist of open questions and a few multiple choice ones. These questions might also consider the readings. For grading, see rubric hereunder.

Criteria	5 points			0 points
Multiple choice questions (4 questions, 5 point each)	The student replies correctly to the question			The student does not reply correctly to the question
	10 points	7.5 points	5 points	2.5 points
Short questions (3 questions, max 10 point each – min 7 lines)	The student replies correctly and exhaustively to the question.	The student replies correctly but the reply may be more complete.	The student replies correctly but the reply is excessively synthetic.	The student shows lack of knowledge on the topic.
	30 points	22.5 points	15 points	7.5 points
Long question (2 questions, max 25 point – min 15 lines)	The student replies correctly and exhaustively to the question.	The student replies correctly but the reply may be more complete.	The student replies correctly but the reply is excessively synthetic.	The student shows lack of knowledge on the topic.

Note: grading scale 100.

Term project

The term project requires students to critically think about an issue in the field. The student is

required to discuss with the lecturer a possible topic for the final written essay. Within week 5 the student will deliver an abstract (max 500 words) to allow the lecturer to understand which research question he/she wants to address. Without this, the student will not be allowed to finish its project.

The final paper needs to be delivered within week 11 after the Easter break. The paper has to be of 3000-3500 words overall and needs to be structured with an introduction (max 500-700 words), a review of the relevant literature (max 500-700 words), a discussion/analysis (max 1500 words) and a conclusion (max 500-700 words). Further details on the content of the different parts are here below. The number of references to be used is 10. Students will prefer to use peer review articles. Statistical tables/graphs need to be labelled and a clear reference to the source of the data is needed. APA format for the paper is required. For more details on the assessment criteria please see Rubric hereunder.

Introduction	The introduction serves for presenting the research topic, the research question, the rationale supporting the research, and the theoretical framework of the paper (including a brief description of the methodology/data used).
Discussion/Review of the literature	This section introduces the relevant literature with the aim of summarizing different interpretations or contending perspectives.
Analysis	This section elaborates on the topic of the research proposed in the introduction. Referring to the literature described in the previous section the students is invited to corroborate one of the different views or to propose a new one. Of major importance are the arguments referred to for sustaining the suggested thesis. Students are strongly invited to use statistical data and tools or as sound analytical methodology (even only sketched) to support their arguments.
Conclusions	A summary of your argument sustained by a critical analysis of both selected theories/concepts and data plus possible indications to improve the work in the future.
References	At least 10 academic references from academic sources.

	Excellent 15 points	Good 11.25 points	Fair 7.5 points	Poor 3.75 points
--	--------------------------------------	------------------------------------	----------------------------------	-----------------------------------

Introduction 15 points maximum	Topic subject fits all the requirements of the assignment and is of particular interest/relevance	Topic subject fits all the requirements of the assignment.	Topic subject fits the basic requirements of the assignment.	Topic subject does not fit the assignment.
	Excellent 20 points	Good 15 points	Fair 10 points	Poor 5 points
Review of the literature 20 points maximum	The essay takes into consideration all the relevant literature and distinguish clearly between the different schools of thought/methodologies adopted/	The essay takes into consideration all the relevant literature	The essay takes into consideration only a part of the relevant literature	The essay takes into consideration a very little part of the literature or describes it in a confusing/misleading way
	Excellent 30 points	Good 22.5 points	Fair 15 points	Poor 7.5 points
Analysis 30 points maximum	All required content areas are addressed and covered in depth using a variety of documented sources. - Paper meets the required length and ideas are fully developed with clarity and brevity	All required content areas are addressed and supported with documented sources. - Paper meets the minimum required length while fully addressing each area - Body content is directly related to	Most required content areas are addressed minimally. - Paper meets the minimum required length	Major required topics are missing completely or lacking adequate consideration - Paper is well below required length

		thesis.		
	Excellent 10 points	Good 7.5 points	Fair 5 points	Poor 2.5 points
Conclusions 10 points maximum	The conclusions of the essay are relevant, well-structured and suggest further interesting developments.	The conclusions of the essay are relevant and well structured.	The conclusions of the essay are relevant.	The paper lacks of relevant conclusions
	Excellent 8.5 points	Good 6.4 points	Fair 4.25 points	Poor 2.1 points
Documentation 8 points maximum	- Paper follows designated guidelines with all required components.	- Paper follows all guidelines but contains slight errors in citation formatting.	- Paper follows most guidelines. -Formatting is mostly accurate with most required components.	- Paper lacks many elements of correct formatting such as citations, title page, references, page numbers.
	Excellent 8.5 points	Good 6.4 points	Fair 4.25 points	Poor 2.1 points
Organization & Structure 8 points maximum	- Structure of the paper is clear. - Introduction previews all major points. - Paragraph transitions are logical. - Conclusion flows from the body of paper.	- Introduction does not preview all major points. - Paragraph transitions need improvement. - Conclusion does not flow well from the body of paper.	- Introduction and/or conclusion missing. - Paragraphs are disjointed and lack transition of thoughts.	- No structure present. - Paragraphs too long and rambling. - Information presented in list style without thesis statements and form.
	Excellent 8.5 points	Good 6.4 points	Fair 4.25 points	Poor 2.1 points

<p>Grammar, Punctuation & Spelling 8 points maximum</p>	<ul style="list-style-type: none"> - Paper contains no errors in grammar, punctuation or spelling. - Language is clear and precise. - Language syntax is smooth and academic. 	<ul style="list-style-type: none"> - Paper contains less than 1- 2 errors in grammar, punctuation and spelling. - Language is understandable. - Language syntax is mostly smooth and academic. 	<ul style="list-style-type: none"> - Paper contains few grammatical, punctuation and spelling errors. - Language is confusing occasionally. - Language syntax is awkward or too informal occasionally. 	<ul style="list-style-type: none"> - Paper contains numerous grammatical, punctuation, and spelling errors. - Language is confusing and hard to follow throughout. - Language syntax is awkward or too informal most of the time.
--	--	---	---	--

Class tests/ Home assignments

These are shorter test on the content. If taken during class, these will take place the first 15-20 minutes of the class. Class tests will mostly test the content covered so far in the form of multiple choice questions or short factual questions. Home assignments will require the student to perform an analysis or some calculations.