



## FLOR BUSN 3373 International Finance

### CAPA FLORENCE PROGRAM

#### Course Description and Aims

The International Finance module provides an understanding of finance in the international context. In a globally integrated world, it has become imperative to trade, invest and conduct business operations internationally. The course exposes the students to the opportunities and risks associated with international finance. As the world has become more integrated due to deregulation of financial markets, product innovation and technology, capital markets have kept pace with this integration. The study of international finance has therefore become essential and builds upon the understanding of theoretical concepts of finance and their adaptation to the international context. The course coverage includes historical perspectives and foundations of international finance, the foreign exchange markets and exchange rate determination, exposure management, financial management of a multinational firm. The course also helps students examine the current economic landscape through topical discussions of current economic and political development and their impact on international finance.

#### Prerequisites

Students must have a business background and have taken an introductory finance course. The course emphasizes this academic area from a global perspective. Students with a high degree of motivation and desire to learn about the international and global aspects of business will benefit from this course.

#### Capa Students Learning & Developmental Outcomes (SLDOs)

1. **Globalization.** Students are able to recognize, describe, and interpret examples of the impact of the globalization in the urban environment.
2. **Urban Environment.** Students are able to explore and analyse the spaces they inhabit, and reflect on differences and similarities between their home and host environments.
3. **Social Dynamics.** Students are able to understand concepts of and the implications of the realities of power, privilege, and inequality in urban environments.
4. **Diversity.** Students are able to describe, interpret, and respect the differences and similarities within their student community and between their home country and the host country.
5. **Personal and Professional Development:** CAPA students will gain insight into their personal and professional development that occurred during their CAPA learning abroad experience, with emphasis on the skills they acquired that will be of particular interest to future employers and graduate school admissions officers. The development of skills relative to personal and professional development and career preparedness include for this class the following ones:
  - **Communications:** The ability to receive, interpret, and articulate information and ideas effectively;
  - **Organization, Time Management and Prioritization Skills:** The ability to achieve identified outcomes by using time, energy and resources in an effective and productive manner;
  - **Problem Solving:** The ability to find solutions to difficult or complex issues and to manage moments of uncertainty or ambiguity;
  - **Goal Setting:** The ability to identify, form and implement actions that will achieve predetermined aims and objectives;
  - **Career-based or Vocational Skills:** The development of specific knowledge or abilities related to an occupation.

#### Learning Outcomes specific to the course

After taking this course, students should be able to:

- a) Gain a broad understanding of the key issues in international finance.
- b) Develop an understanding of the political and economic context within which international finance operates.
- c) Apply the various theoretical aspects of the principles of finance in an international context.
- d) Gain a good working knowledge of the operations and key issues surrounding international capital flows, foreign direct investment, foreign exchange rate determination and exposure management, international capital markets and institutions, and develop an understanding of how the financial management of a multinational firm works

## **Class methodology**

This class will be participative and will require students to contribute individually and as part of a team. The course content and delivery will create a framework where students reflect critically on the weekly discussion topics. The students will be expected to devote an hour per day keeping up with the current issues in international finance. Expected reading sources should include The Economist, Financial Times and The New York Times.

The teaching and learning methods will be a blend of the following:

- Lectures
- Reflections & observations
- Readings on current topics
- Class discussions
- Student presentations and a research paper.

Students are encouraged to participate in events/activities from the CAPA Florence *My Global Education* calendar to broaden understanding of this subject in the context of Florence, Italy and Europe. Students will be asked to draw on these experiences in one or more learning activities within this course. In addition, the course includes field classes, which also count towards *My Global Education*.

## **Mid-Term & Final Exams**

- **Mid-term exam: 20%**
- **Research paper & class presentation: 40%**
- **Final exam (cumulative – covers entire course material): 30%**
- **Class participation: 10%**

Students must complete all required components for this course by the established deadlines. Failure to do so will result in a reduction of the course grade and may result in a grade of F for the course in question.

### **Research Paper & Class Presentation Assessment Guidelines**

Paper submission deadline: week 12

Class presentations: week 12. Provide an outline of your essay, the theoretical background, data and findings of your case study and the conclusions. Please note that this presentation is a group effort and should be limited to 20 slides and 25 minutes (max). There will be a Q&A session following the presentation. The students will be given feedback on their presentations and will be expected to incorporate this feedback into their final research paper submissions.

### **Research Paper Guidelines**

Select any one of the topics that we will be covering in this course. Bear in mind that these topics/chapters are rather broad and you will need to narrow down your research topic significantly. You should identify a small aspect of the theoretical discussion that interests you and focus sharply on it. In other words, you should not be providing a general overview of the chapter(s).

The next step is to identify a case study or identify sufficient data that fits your selected topic. You may choose current or recent economic/financial events or alternatively examine an event/s from a historical perspective. The course outline provides you ample guidance on sources of such data. (Please do not start with a case study and then try to find the theoretical basis for it. This will not be efficient.)

The final step will be to provide a thorough analysis. How does the case study or evidence fit into the theoretical discussion? Are the facts consistent with the theory? Explain why (or why not). What lessons did you learn from this project? This analysis will carry the highest weight for this assignment.

To obtain an A grade, the submission will have to meet ALL three requirements: (1) theoretical discussion; (2) good presentation of case study; and (3) thorough analysis. Any submissions that do not meet all the criteria will be downgraded. You will provide 3 status updates through the term on the progress you have made to date on your projects. This will enable the lecturer to provide you with the necessary guidance and feedback. It is important that you come well prepared for these status updates.

**Localised Context:** The students are required to identify relevant research paper topics within the localised context of the UK and Europe to benefit from their presence in Florence, in the heart of continental Europe. These research paper topics should be discussed with the lecturer in advance. Preparatory work would include developing good reading sources such as the Financial Times, the Economist and the New York Times to gain a better understanding of the localized context.

**The mid-term exam** will include short questions with open answers on topics covered until that point in class (1 hour)

**The final exam** will include a combination of quantitative problems and short questions. **The final exam will cover the second half of the course** (1 hour)

<b>Grade Breakdown and Assessment of Learning Outcomes</b>			
<b>Learning Outcomes</b>	<b>Assessment task</b>	<b>Grade %</b>	<b>Due Date</b>
All	<b>Class participation</b>	<b>10%</b>	<b>Weekly</b>
a), b), c)	<b>Mid-term exam</b> Short questions (20%)	<b>20%</b>	<b>Week 6</b>
d)	<b>Research Paper &amp; Class presentation</b>	<b>40%</b>	<b>Week 12</b>
all	<b>Final Exam</b> Short questions (10%) Quantitative problems (20%)	<b>30%</b>	<b>Week 14</b>

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**Overall grade**

<b>DESCRIPTOR</b>	<b>ALPHA</b>	<b>NUMERIC</b>	<b>GPA</b>	<b>REQUIREMENT/EXPECTATION</b>
Outstanding (High Distinction)	A	93+	4.0	Maximum grade: In addition to description for grade "A-", the student shows detailed understanding of materials about which he or she can show independent analytical ability. This means the ability to question an issue from different perspectives and evaluate responses in an objective manner.
Excellent (Distinction)	A-	90 - 92	3.7	Student shows understanding of literature beyond the textbook/class hand-outs/class notes, and the work shows a high level of independent thought, presents informed and insightful discussion and demonstrates a well-developed capacity for evaluation.
Very good (High Credit)	B+	87 - 89	3.3	Shows evidence of a capacity to generalise from the taught content, or the material in literature, or from class lectures in an informed manner. Also, the work demonstrates a capacity to integrate personal reflection into the discussion and an appreciation of a range of different perspectives.
Good (Credit)	B	83 - 86	3.0	The work is well organised and contains coherent or logical argumentation and presentation.
Good (Credit)	B-	80 - 82	2.7	Student shows understanding of literature beyond the textbook and/or notes, and, there is evidence of additional reading.
Average (Good Pass)	C+	77-79	2.3	The work demonstrates a capacity to integrate research into the discussion and a critical appreciation of a range of theoretical perspectives. Also, the work demonstrates a clear understanding of the question and its theoretical implications and demonstrates evidence of additional reading.
Adequate (Pass)	C	73 - 76	2.0	Shows clear understanding and some insight into the material in the textbook and notes, but not beyond. A deficiency in understanding the material may be compensated by evidence of independent thought and effort related to the subject matter.
Below Average (Borderline Pass)	C-	70-72	1.7	Shows some understanding of the material in the textbook and notes. A deficiency in any of the above may be compensated by evidence of independent thought related to the subject matter.
Inadequate (Borderline Fail)	D+	67 - 69	1.3	Fails to show a clear understanding or much insight into the material in the textbook and notes
Poor (Fail)	D	60 - 66	0.7 - 1.0	Besides the above for D+, student has not shown interest or engagement in the class work or study.

Poor (Fail)	F	<60	0	Shows little or no understanding of any of the material
Incomplete	I			Please see CAPA policy in the Faculty Handbook.

### Course Materials

*International Finance*, Eun, Cheol S., Resnick, Bruce G., Sabherwal, Sanjiv (McGraw Hill, 6th Global edition, 2011).

It is fine to use later editions or online versions of the textbook. You could obtain used copies of the book at substantial discounts through the online marketplace. The book is also available for electronic download through the publisher.

## Weekly Course Schedule

<b>WEEK 1</b>	
<b>Lesson 1</b>	
In-class activity	<u>Course overview. Introduction to International Finance</u>
Readings	<u>Chapter 1 textbook</u>
<b>WEEK 2</b>	
<b>Lesson 2</b>	
In-class activity	<u>International Monetary system and balance of payments</u>
Readings	<u>Chapters 2 and 3 textbook</u>
<b>WEEK 3</b>	
<b>Lesson 3</b>	
In-class activity	<u>The foreign exchange market</u>
Readings	<u>Chapter 4 textbook</u>
<b>WEEK 4</b>	
<b>Lesson 4</b>	
In-class activity	<u>Exchange rate determination and currency derivatives</u>
Readings	<u>Chapters 5 and 6 textbook</u>
Notes	
<b>WEEK 5</b>	
<b>Lesson 5</b>	
In-class activity	<u>International banking, equity and bond markets</u> <u>Review of topics</u>
Readings	<u>Chapter 7-8-9 textbook</u>
<b>WEEK 6</b>	
<b>Lesson 6</b>	
In-class activity	<u>Midterm exam</u>
<b>WEEK 7</b>	
<u>No class - Midterm break</u>	
<b>WEEK 8</b>	
<b>Lesson 7</b>	
In-class activity	<u>Interest rate, currency swap and portfolio investments</u>
Readings	<u>Chapters 10 and 11 textbook</u>
<b>WEEK 9</b>	
<b>Lesson 8</b>	
In-class activity	<u>Foreign exchange exposure and management</u>
Readings	<u>Chapters 12, 13 and 14 textbook</u>
<b>WEEK 10</b>	
<b>Lesson 9</b>	
In-class activity	<u>Foreign direct investments</u>
Readings	<u>Chapter 15 textbook</u>
<b>WEEK 11</b>	
<b>Lesson 10/11</b>	

In-class activity	International capital structure and cost of capital Chapter 16 textbook
<b>WEEK 12</b>	
<b>Lesson 12</b>	
In-class activity	<u>International capital budgeting and multinational cash management</u>
Assignments	<u>In class paper presentation - Research Paper submission deadline</u>
Readings	<u>Chapter 17 and 18 textbook</u>
<b>WEEK 13</b>	
<b>Lesson 13</b>	
In-class activity	<u>Review of topics and review of quantitative problems</u>
<b>WEEK 14</b>	
In-class activity	<u>Final exam</u>