

Course Syllabus
FINANCE 400 - 301
International Financial Management (3 hrs)
Summer 2017

The semester runs from May 22, 2017 to Aug, 04, 2017.

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Lecture Notes are available on Blackboard.

Please read the syllabus very carefully especially the exams and grading policy. Grading Policy will be followed strictly. Exams **Requires Respondus Lockdown Browser**. See course web site under the heading **"Exams Instructions."** Download Respondus Lock down Browser, if you don't have one on your Laptop/PC before you start taking the exam. Firefox is the preferred browser. Follow the Instructions very carefully. When taking the exams, first you have to have your open the Respondus Lockdown Browser and then open the exam on Blackboard.

How do I get and install the Lockdown browser?

Download the Lockdown Browser from the ISU website located at <http://download.indstate.edu> in the "Blackboard Plugins" section. When you click the link, you will be prompted to log in with your Sycamore username and password. After you log in you will see a link to download the file.

Exam Dates.

Exam 1: June 22, 2017. 8.00 a.m. –10:00 pm

Exam 2: July 13, 2017. 8.00 a.m. –10:00 pm

Final Exam: August 03, 2017. 8.00 a.m. –10:00 pm

All exams will be 100 min. All exams time are based on Terre Haute, IN time (EDT). Case due on July 27, 2017.

Lecture Notes in Power Point and End of the Chapters solutions are posted in the Black Board. Also manual for BA II Plus is on the Blackboard.

Course Description and Prerequisites:

This course deals with theoretical and operational issues of corporate financial management in an international environment. Emphasis is placed on decision-making by multinational firms in capital budgeting, working capital management, and the procurement of funds in international markets.
Prerequisite: Bus Fin 311.

Textbook: "Global Corporate Finance" A Focused Approach. Kenneth A Kim. 2nd edition, World Scientific Publishing Co, Pte. Ltd., 2015. ISBN-13: 9814618004

Optional Reading: Wall Street Journal, Fortune, Financial Times & Business Week.

Course Objectives:

The objective of the course is to explore the field of international financial management-financial management activities which cross-national boundaries- from managerial perspectives. We discuss the nature of multinational financial management, how it has evolved over the past decades, and what complexities it brings to company activities, host country interactions, and the global market place. We provide a comprehensive and integrated discussion of theory, operations, and policy issues in international financial management, dynamic in the decision-making framework.

Study and Grading Procedure:

This course will have lecture/discussion format. Class time will be used to supplement the textbook material and discussion of current events and issues. Your grade in the course will be determined as follows:

First Exam	100 points/ 28.33%
Second Exam	100 points/ 28.33%
Final Exam	100 points/ 28.34%
Case Study	100 points/ 15%
	400 points/100%

You have to do the Case Study (CS). CS is 15%

*** Case Study: HAS LIBOR LOST ITS STATURE IN DERIVATIVES MARKETS?**

Walid Busaba, Ken Mark

Product Number: 9B16N058

Publication Date: 10/28/2016

Revised Date: 04/10/2017

Length: 12 pages (7 pages of text)

Product Type: Case (Pub Mat)

Source: Ivey. www.iveycases.com

***See the attached file how to order the Case from Ivey.**

Learning Objective: After completion of the case, students should be able to:

This case has been designed for use at both the undergraduate and graduate levels and can be used in courses on international finance, investments, fixed-income markets, and derivatives securities. After completing the case, students will have developed their ability to do the following:

- Appreciate the historical evolution of the LIBOR market and the recent scandals.
- Understand the differences between LIBOR and OIS rates.
- Identify why and how LIBOR or OIS would be used in valuing derivatives.
- Calculate forward interest rates from the zero yield curve.
- Value an interest-rate swap.

Price:

\$4.25 CAD / \$4.25 USD Printed Copy

\$3.75 CAD / \$3.75 USD Permissions

\$3.75 CAD / \$3.75 USD Digital Download

Issues: [LIBOR](#), [overnight indexed swap](#), [interest rate swaps](#)

Disciplines: Finance, International Industries: Finance and Insurance

Setting: United States, Large, 2016

Intended Audience: Undergraduate/MBA

In April 2016, a large U.S. proprietary trading group in New York, with a significant fixed-income portfolio, was debating what discount rate to use to value the group's interest-rate swap portfolio. The counterparties to these swaps were major banks, and the deals were collateralized. Criticisms about the use of the London interbank offered rate (LIBOR) as a benchmark for valuing these swaps were circulating, and there were reports that LIBOR was being manipulated. There was talk about an alternative, nearly "risk-free" reference rate that could potentially be launched during 2016. Was it time for the trading group to substitute some of its maturing LIBOR-based interest-rate swaps with overnight index swaps?

ASSIGNMENT QUESTIONS:

1. What is the difference between LIBOR and OIS as benchmarks in valuing interest -rate swaps? Is LIBOR a risk -free rate?
2. Value the interest -rate swap by relying on the data provided on the LIBOR and OIS rates. What differences do you find, and what might account for these differences?
3. Does the valuation of an interest-rate swap in particular, and derivatives in general, depend on who the counterparty is and whether the contract is collateralized?

RELEVANT READINGS:

- PricewaterhouseCoopers, "Derivative Valuation: The Transition to OIS Discounting," Data line —A Look at Current Financial Reporting Issues no. 2013- 25 (December 10, 2013): 4, www.pwc.com/us/en/cfodirect/assets/pdf/dataline/dl-2013-25-ois-discounting.pdf. This document reviews the latest thinking around valuing derivatives and notes the transition from LIBOR to OIS as a discount rate.
- John C. Hull, Options, Futures and Other Derivatives, 9th ed. (Toronto: Pearson, 2014). Many instructors rely on Hull's textbooks on derivatives in their finance courses.

How Are Course Educational Objectives Measured?

Scores on exams, cases, and homework assignments from the Chapters covered in the class measure the course educational objectives. Case assignments require written and oral presentation. Grading is fairly straightforward

<u>Grade</u>	<u>%</u>	<u>Points</u>
A+	$\geq 95\%$	4.00
A	$\geq 92 \leq 95\%$	4.00
A-	$\geq 89 \leq 92\%$	3.70

B ⁺	≥ 84 ≤ 89%	3.30
B	≥ 78 ≤ 84 %	3.00
B ⁻	≥ 74 ≤ 78%	2.70
C ⁺	≥ 70 ≤ 74%	2.30
C	≥ 68 ≤ 70 %	2.00
C ⁻	≥ 66 ≤ 68 %	1.70
D ⁺	≥ 64 ≤ 66 %	1.30
D	≥ 60 ≤ 64 %	1.00
D ⁻	≥ 58 ≤ 60 %	0.70
F	< 58 %	0.00

Accommodation to disabilities: Please bring to the attention of the course Instructor who will work utmost with the student to accommodate his/her need.

Course Content	Percentage of Time Allotted
Part One The Global Financial Environment	25% - 35%
1. Overview of International Financial Management	
2. Motives for World Trade and Foreign Investment	
3. The Balance of Payments	
4. The International Monetary System	
Part Two Foreign Exchange Risk Management	25%-35%
5. Foreign Exchange Market	
6. Currency Futures and Options	
7. Financial Swaps	
Part Three Financing International Transactions	35%-45%
8. International Financial Markets	
9. International Banking Operations and Country Risk Analysis	
10. Financing Foreign Trade	
11. International Portfolio Investment	
12. Multinational Capital Expenditure Analysis	
13. The Cost of Capital for Foreign Projects	

Perspectives Coverage

**Ethical and global issues:* Ethical issues are covered through the agency problem and operation of the multinational corporations. Global issues are a central focus of the course.

**The influence of political, social, legal and regulatory, environmental and technological issues:* These issues are an integral part of the management of multinational corporations, operating different political, social, legal and regulatory, environmental, technological, and monetary systems.

**The impact of demographic diversity on organizations:* The impact of demographic diversity is covered in the course.

Communication Coverage

**Written communication activities:* A complete written report is required of a case or project assignment.

**Oral communication activities:* Oral communication skills are developed through class discussion and the case or project presentation.

Instructional Resources

**Library Usage:* Students utilize the library resources as a source of information for completing their case and project assignments

**Computer Usage:* Students utilize computers and related software to complete their case and project assignments.

**Appropriate Instructional Technology:* Faculty utilizes the overhead projector and instructs students how to use the Internet to find relevant information for assignments

Course Relationship to School of Business' Shared Values:

**Lifelong learning skills:* We develop the student's analytical ability to analyze financial situations of multinational corporations to assist in the decision making process.

**Workplace knowledge and skills:* This is established through the course content, case, and project. Special emphasis is placed on the following topics: (1) Foreign exchange risk management and strategy; (2) international trade and financing procedures; (3) foreign direct investment and joint venture; (3) global financial market and portfolio management.

**Integration of technology:* Students use PC's and its software including the Internet.

**Business community connection:* This is accomplished by the use of guest speakers and other special events.

**Development of values and ethics:* Ethical problems are covered through the agency problem and the operation of multinational corporations

TENTATIVE CLASS SCHEDULE*

* I reserve the right to change the syllabus during the semester

Chapters 1, 2, 3, 4 & 5.

TEST # 1.

Chapters 6, 7, 9 & 10.

TEST # 2.

Chapters 11, 12, 13, 14 & 15

FINAL EXAM

Exam Dates.

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Case due on July 27, 2017.

ACADEMIC DISHONESTY: WILL BE DEALT STERNLY

