COURSE MATERIALS

Textbook and References

Required Text

Handouts and Lecture Notes
Select lecture notes will be posted on Blackboard to supplement the text and classroom discussions, and handout will occasionally be distributed in class. I maintain close contacts with the class and students via the internet and in person.

Recommended References (Available at the Library Reserve)
- Poniachek, Harvey A., Ed., Cases in International Finance, Wiley 1993
- Poniachek, Harvey A., Ed., Cases in International Finance, Wiley 1993

Additional sources and references include the Wall Street Journal, the New York Times, the Financial Times, the Euromoney, and the Economist.

1 Class performance includes the following:

1. Participation in class discussions,
2. Answering questions raised in class and/or directed to you,
3. Solving homework problems on the board, and
4. Presentation of assigned case studies.

Note that the above requires class attendance throughout the semester.

---

**FINAL GRADE ASSIGNMENT**

A midterm (30%), assignments (10%), quiz (10%), and class performance1 (10%).

Finance (29:390:375)

**COURSE SCHEDULE**

Course Outline and Assignments

1. **Introduction:** (a) An overview of the course’s objectives and requirements; (b) The main general features of the international financial markets and (c) the major principles / issues of international financial management.

   *Required Reading: ESM, Ch. 1, 2*

2. **The international monetary system:** Its historic evolution, the institutional set-up, its functions and implications.

   Required Reading: ESM, Ch 3

3. **The Balance of Payments**

   Required Reading: ESM, Ch 4

4. **The foreign exchange markets:** Quotation conventions, types of currency transactions, spot, forward, swaps, futures, and options, characteristics of the market, exchange rate determination, forecasting
exchange rates, international parity conditions, the integration of the currency and money markets, pricing options and futures.

*Required Reading: ESM, Chs.6, 7; Assignment: Select end of chapter problems (Some problems will be addressed and solved in class, and textbook solutions will be posted on Blackboard)*

**Team assignment:** Students are required to derive the Purchasing Power Parity (“PPP”) for several countries over several years. This assignment (to be addressed and specified in a separate lecture and handout) introduces students to assessment of the PPP theory, familiarizes students with international financial statistics and construction of index numbers.

5. **The Eurocurrency market:** Definitions of Eurodollars and Eurocurrencies, the mechanics of depositing and lending, sources and uses of funds, markets trends, financial instruments, interest rate structure, syndicated Eurocredits, theoretical interpretations, domestic policies interdependencies, and prudential controls and regulations.

Lectures Notes; Read ESM, Ch 14; Review all End of Chapter Problems

6. **The international bond markets:** Eurobonds, foreign bonds, innovative financial instruments, currency and yield aspects, sources and uses, recent trends, the institutional aspects.

Lecture Notes; Reading ESM, Ch. 14; review all End of Chapter Problems.

7. **International Risks & Its Management:** Various concepts and measurement of risk, including transaction, operating (economic), translation (accounting), country and political.

*Lecture Notes & review of Harvey Poniachek, *Cases in International Finance*, Wiley 1993, Case 30*


8. **Foreign Exchange Exposure & Management:** Foreign exchange transaction and operating (economic) exposure and hedging methods; foreign exchange translation (accounting) exposure (FASB 8 and 52) and hedging techniques, and the cost of reducing or eliminating risk. Hedging foreign exchange exposure through the utilization of forward exchange transactions, money market transactions, currency futures, swaps and options.

Required reading: ESM, Ch 10-12; Assignment: Select end of Ch problems
9. **Currency and Interest Rate Derivatives & Exposure Management:** Interest rate exposure and hedging through the Eurocurrency futures, FRAs and option imbedded instruments (Caps, Floors, Collars), and interest and currency swaps.

Required reading: ESM, Ch 8, Assignment: End of Ch Problems

10. **Financing MNCs Operation:** Cost of capital and capital structure, short-term financing, parent-subsidiary financing, long-term sources, cost and regulatory restrictions.

Required reading: ESM, Ch 13-14; Assignment: End of Ch Problems


*Required reading: ESM, Chs 16-17; Assignment: End of Ch Problems*


12. **Positioning of Funds and Working Capital Management:** Major issues confronting MNCs in positioning of funds and in the area of cash, marketable securities, receivable and inventory management.

Required Reading: ESM, Ch 19; Assignment: End of Ch Problems

13. **Applications**
   
   A. End of chapter problems to be assigned (as we go) and select problems will be discussed in class. Students should utilize the Instructor’s Manual—which contains full solutions-- which is available on Blackboard

   B. The Purchasing Power Parity (“PPP”) to be attended by teams of up to four students and submitted for grading. The assignment will be discussed in class and posted on Blackboard.

**ACADEMIC INTEGRITY**

Rutgers University, in conjunction with the RBS Committee, has established an Honor Code that states:
“I pledge, on my honor, that I have neither received nor given any unauthorized assistance on this examination (assignment).”  (http://academicintegrity.rutgers.edu/integrity.shtml)

Rutgers strictly enforces the university rules on academic integrity “… The use of unauthorized material, communication with fellow students during an exam, attempting to benefit from the work of another student, and similar behavior that defeats the intent of an examination or other class work is unacceptable to the University. It is often difficult to distinguish between a culpable act and inadvertent behavior resulting from the nervous tensions accompanying examinations. Where a clear violation occurs, however, the instructor may disqualify the student’s work as unacceptable and assign a failing mark on the paper.”

**Calendar**

International Financial Management, Fin 29:390:375

- **1/20** Introduction
- **1/27, 2/3** The Int’l Monetary System
- **2/10, 17** The Foreign Exchange Market
- **2/24** The Eurocurrency Market
- **2/24** Submit the PPP Assignment
- **3/3** The International Bond Market
- **3/10** Int’l Risk & Its Management, PPP discussion
  
  **3/13 In-Class Midterm Exam**

- **3/24, 31** Managing Foreign Currency Exposure
- **4/7** Interest Rate Exposure & Management
- **4/21** Financing MNCs
- **4/28** International Investment & Capital Budgeting
- **4/28** Positioning of Funds
- **5/28** Principles of Int’l Taxation
- **4/23** Cases Presentation / Discussion, Course Review
  
  **5/12 (Expected) In-Class Final Exam**

**University Academic Calendar**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fall Semester Begins</td>
<td>Tue Sept 4</td>
<td>Tue Sept 3</td>
<td>Tue Sept 2</td>
</tr>
</tbody>
</table>

5
<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular Saturday Classes Start</td>
<td>Sat Sep 8, Sat Sep 7, Sat Sep 6</td>
</tr>
<tr>
<td>Changes in Designation</td>
<td>Tue Nov 20 - Thursday Classes, Tue Nov 26 - Thursday Classes, Tues Nov 25 - Thursday Classes</td>
</tr>
<tr>
<td>of Class Days</td>
<td>Wed Nov 21 - Friday Classes, Wed Nov 27 - Friday Classes, Wed Nov 26 - Friday Classes</td>
</tr>
<tr>
<td>Thanksgiving Recess</td>
<td>Thurs Nov 22 - Sun Nov 25, Thurs Nov 28 - Sun Dec 1, Thurs Nov 27 - Sun Nov 30</td>
</tr>
<tr>
<td>Regular Classes End</td>
<td>Wed Dec 12, Wed Dec 11, Wed Dec 10</td>
</tr>
<tr>
<td>Reading Days</td>
<td>Thurs Dec 13, Thurs Dec 12 &amp; Fri Dec 13, Thurs Dec 11 &amp; Fri Dec 12</td>
</tr>
<tr>
<td>Fall Exams Begin</td>
<td>Fri Dec 14, Mon Dec 16, Mon Dec 15</td>
</tr>
<tr>
<td>Fall Exams End</td>
<td>Fri Dec 21, Mon Dec 23, Mon Dec 22</td>
</tr>
<tr>
<td>Winter Recess Begins</td>
<td>Sat Dec 22, Tue Dec 24, Tue Dec 23</td>
</tr>
<tr>
<td>Spring Semester Begins</td>
<td>Tue Jan 22, Tue Jan 21, Tue Jan 20</td>
</tr>
<tr>
<td>Spring Recess Begins</td>
<td>Sat Mar 16, Sat March 15, Sat March 14</td>
</tr>
<tr>
<td>Spring Recess Ends</td>
<td>Sun Mar 24, Sun March 23, Sun March 22</td>
</tr>
<tr>
<td>Regular Classes End</td>
<td>Mon May 6, Mon May 5, Mon May 4</td>
</tr>
<tr>
<td>Reading Days</td>
<td>Tue May 7 and Wed May 8, Tue May 6 and Wed May 7, Tue May 5 and Wed May 6</td>
</tr>
<tr>
<td>Spring Exams Begin</td>
<td>Thurs May 9, Thurs May 8, Thurs May 7</td>
</tr>
<tr>
<td>Spring Exams End</td>
<td>Wed May 15, Wed May 14, Wed May 13</td>
</tr>
<tr>
<td>Event</td>
<td>Date</td>
</tr>
<tr>
<td>-------------------</td>
<td>------------</td>
</tr>
<tr>
<td>University Commencement</td>
<td>Sun May 19</td>
</tr>
<tr>
<td>Summer Session Begins</td>
<td>Tue May 28</td>
</tr>
</tbody>
</table>

Students should check with their individual units as academic calendars for some units may differ from the above.

For college/school commencements please check with your dean's office.

For any questions regarding the academic calendar, e-mail: sched@echo.rutgers.edu.