

**Finance**  
**Course Number: 29:390:375**  
**Course Title: International Financial Management**

## COURSE OUTLINE

This course provides the student with theoretical and practical knowledge of the international financial markets and financial management of multinational corporations. This course is composed of three modules;

- The first module addresses international financial markets,
- The second module surveys and discusses the principles and methods of MNCs international financial management, and
- The third module, which is pursued simultaneously with the first two modules, reviews select textbook problems, assigns two group projects on currency assessment via NEER / REER & Country Risk Rating, and on-line homework assignments via Myfin Lab.

The subjects addressed in the first module include:

- The Global Financial Environment, including the international monetary system;
- US & Chinese Balance of Payments;
- Foreign exchange theories and markets, including the foreign exchange markets, international parities, currency derivatives, including futures and options;
- the Eurocurrency and international bond markets, including interest rate derivatives, particularly swaps.

The second module addresses:

- The identification, measurement and management of international risk and exposure, specifically related to currencies;
- Foreign currency and interest rate exposure and various hedging methods;
- Funding of international operations, and cost of funding in foreign currencies;
- Foreign direct investment and capital budgeting;
- Working capital management; and
- The principles of international corporate taxation.

The third module addresses:

- MyfinLab assignments for each chapter of select problems (Need to be submitted per schedule and graded by the program);
- Review of select HW from end of chapter problems; and
- NEER / REER & and country risk assessment team projects (to be discussed in class and issued on Canvas)

Lectures address the above subjects and are supplemented by class review of selected end of chapter problems and related examples. I maintain close contacts with the class and students through Canvas, e-mails and office hours. Select handouts and lecture notes will be distributed throughout

the semester via Canvas and hard copies to supplement the textbook and classroom discussions. Check regularly your e-mail and Canvas for class notes for course announcements and assignments.

This is a well focused and highly intensive course that benefits from my thirty years of teaching, practicing it for over a decade at Bank of America, and publishing extensively on the subject. I expect a very productive semester, but you need to attend all classes, keep up with the readings, solve assigned end of chapter problems and solutions (that are posted on Canvas) and do the Myfinance Lab assignments on time. A substantial amount of additional literature is available and I encourage you to use it.

**A successful completion** of this course will provide you with extensive knowledge of the international financial markets and financial instruments, introduce you to issues of international treasury management of multinational firms, including valuation and risk hedging, capital budgeting, funding and taxation.

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## COURSE MATERIALS

### Required Text

- David K. Eiteman Arthur I. Stonehill, Michael H. Moffett, Multinational Business Finance, 15E, Pearson, 2019, ISBN 13:978-0-13-479655-0 [A prior edition is suitable and much cheaper, An Asian edition cost about 10% of the U.S. text, but you'll have to acquire access to MyLab to do the homework.]
- MyfinLab access (Computerized on line homework assignments that must be done on schedule and no late submissions are credited).

Pearson offers the textbook and Myfin Lab through several options that are specified on their home page.

- Handouts and Lecture Notes  
Select lecture notes will be posted on Canvas and/or distributed in class to supplement the textbook. You should organize a folder that will contain all the handouts and bring it to all classes.

### ***Additional References (for students with keen interest in the subject)***

- Poniachek, Harvey A., Ed., International Corporate Finance, Routledge, London & New York, 2013 (HAP).
- Poniachek, Harvey A., Ed., Cases in International Finance, Wiley 1993 (HAP)
- Poniachek, Harvey A., Ed., Mergers & Acquisitions, World Scientific Publishing, 2019 (HAP)
- Grabbe, J. Orlin., International Financial Markets, Third Edition, Prentice Hall, 1996 (JOG).
- Levich, Richard M., International Financial Markets: Prices and Policies, 2<sup>nd</sup> Ed., McGraw-Hill Irwin, 2001 (RML).
- Shapiro, Alan C., Multinational Financial Management, 10<sup>th</sup> Edition, John Wiley & Sons, New York 2013 (ACS)
- Buckley, Adrian, Multinational Finance, Third Edition, Prentice Hall, New York 1996 (BA)
- Eun, Cheol S. and Resnick, Bruce G, International Financial Management, 9<sup>th</sup> Ed., McGraw Hill Irwin, 2018 (ER)
- Hull, John C., Fundamentals of Futures and Options Markets, 9<sup>th</sup> Edition, Pearson, 2017 (Hull)

- Don M. Chance, An Introduction to Derivatives and Risk Management, 7<sup>th</sup> Edition, Thomson, 2007. (Chance)
- Sundaram, Rangarajan K, and Das, Sanjiv R, Derivatives: Principles and Practices, 2<sup>nd</sup> Ed., McGraw Hill Irwin, 2016 (SD)
- Dubofsky, David A, and Miller, Thomas W, Jr, Derivatives: Valuation and Risk Management, Oxford University Press, 2003 (DM)
- Additional sources and references include the Wall Street Journal, the New York Times, the Financial Times, the Euromoney, and the Economist.

## Financial Calculator

A Financial Calculator and the use of Microsoft Excel Spreadsheet are required. A standard financial calculator includes the TI BA-II Plus.

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## COURSE REQUIREMENTS AND GRADING

A midterm (20%), cumulative final (40%), MyfinLab assignments (20%), NEER/REER currency project (5%), country risk assessment project (5%) and class performance<sup>1</sup> (10%). Attendance is mandatory and will be taken each session.

No makeup exams are offered, other than for documented emergencies. You're allowed on exams a one-sided 8x11 formula sheet and a financial calculator, but no cell phone or laptops are permitted.

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## ACADEMIC INTEGRITY

*I do NOT tolerate cheating.* Students are responsible for understanding the RU Academic Integrity Policy (<http://academicintegrity.rutgers.edu/>)

I will strongly enforce this Policy and pursue *all* violations. On all examinations and assignments, students must sign the RU Honor Pledge, which states, "On my honor, I have neither received nor given

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<sup>1</sup> 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 class attendance throughout the semester is necessary but not sufficient to gain the points for class performance

any unauthorized assistance on this examination or assignment.” I will screen all written assignments through *SafeAssign* or *Turnitin*, plagiarism detection services that compare the work against a large database of past work. Don’t let cheating destroy your hard-earned opportunity to learn. See [business.rutgers.edu/ai](http://business.rutgers.edu/ai) for more details.

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## 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*

#### Module I

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

Required Reading: ESM, Ch 2

- 3. The Balance of Payments**

Required Reading: ESM, Ch 3

- 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.5-6;*

*Select end of chapter problems to be reviewed in class; End of chapter solutions are posted on Canvas;*

*Homework will be assigned on MyLab.*

- 5. Currency and Interest Rate Derivatives:** Currency futures, options and swaps, interest rates futures, FRA, and option imbedded instruments (Caps, Floors, Collars), and interest and currency swaps.

Required reading: ESM, Chs 7-8;

Review of select end of chapter problems;  
Homework via MyLab, Assignment.

**Team assignment:** Students are required to derive the NEER & REER [Purchasing Power Parity (“PPP”)] for the U.S. and China 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 indexes.

**NEER / REER project is due for grading on ()**

- 6. 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 of select end of chapter problems;  
Homework assignment through MyLab

- 7. 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;  
Homework assignment via MyLab.

Midterm Exam

Module II

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

Harvey Poniachek, Cases in International Finance, Wiley 1993, Case 30 (To be provided via Canvas)

Students with additional interest in the subject should review the following references:

- [http://pages.stern.nyu.edu/~adamodar/New\\_Home\\_Page/datafile/ctryprem.html](http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/ctryprem.html)
- <http://www.tradingeconomics.com/country-list/rating>

- <http://chartsbin.com/view/1177>
- Clark, Ephraim and Marios, Bernard, Managing Risk in International Business; Techniques and Applications, International Thomson Business Press, London and New York, 1996; and Solberg, R, Country Risk Analysis, Routledge, London and New York, 1992.

### **Country Risk Assessment is Due for Grading**

- 9. 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, Chs 10-12;  
 Select end of Ch problems to be reviewed in class;  
 Homework assignment via MyLab

- 10. Currency and Interest Rate 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, Chs 7-8;  
 Review of select end of chapter problems;  
 Homework via MyLab, Assignment.

- 11. 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, Chs 13-14;  
 Select end of chapter problems to be reviewed in class  
 Assignment via MyLab

- 12. International Investment and Capital Budgeting:** Direct and portfolio investment, features of U.S. investment abroad and foreign investment in the United States, direct investment criteria for project assessment and selection, valuation of foreign firms for M&A purposes.

*Required reading: ESM, Chs 17-18*  
 Review of textbook investment example(s);

Homework assignment via MyLab

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

Required Reading: ESM, Ch 19, 13Ed (to be posted on Canvas);

**14. Multinational Tax Management: The main principles of U.S international taxation, tax shifting and the evasion issues**

Required Reading: ESM, Ch 15  
Review of select end of chapter problems;  
Homework assignment via MyLab

**15. Course Review**

Module III

**15. Applications**

- A. MyfinLab Assignments for each chapter due at a specific date and graded by the program
- B. Select end of chapter problems to be discussed in class. Students should utilize the Instructor's Manual—which contains full solutions-- available on Canvas
- C. The Purchasing Power Parity ("PPP") and Country Risk Assessment to be addressed by teams of up to four students and submitted for grading. The two projects to be presented and discussed in class. Both assignments are posted on Canvas and will be discussed in class.

**In-Class Cumulative Final Exam**

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**SUPPORT SERVICES**

If you need accommodation for a *disability*, obtain a Letter of Accommodation from the Office of Disability Services. The Office of Disability Services at Rutgers, The State University of New Jersey, provides student-centered and student-inclusive programming in compliance with the Americans with Disabilities Act of 1990, the Americans with Disabilities Act Amendments of 2008, Section 504 of the Rehabilitation Act of 1973, Section 508 of the Rehabilitation Act of 1998, and the New Jersey Law Against Discrimination. More information can be found at [ods.rutgers.edu](http://ods.rutgers.edu).

[Rutgers University-New Brunswick ODS phone (848)445-6800 or email [dsoffice@echo.rutgers.edu](mailto:dsoffice@echo.rutgers.edu)]

[Rutgers University-Newark ODS phone (973)353-5375 or email [ods@newark.rutgers.edu](mailto:ods@newark.rutgers.edu)]

If you are *pregnant*, the Office of Title IX and ADA Compliance is available to assist with any concerns or potential accommodations related to pregnancy.

[Rutgers University-New Brunswick Title IX Coordinator phone (848)932-8200 or email [jackie.moran@rutgers.edu](mailto:jackie.moran@rutgers.edu)]

[Rutgers University-Newark Office of Title IX and ADA Compliance phone (973)353-1906 or email [TitleIX@newark.rutgers.edu](mailto:TitleIX@newark.rutgers.edu)]

If you seek *religious accommodations*, the Office of the Dean of Students is available to verify absences for religious observance, as needed.

[Rutgers University-New Brunswick Dean of Students phone (848)932-2300 or email [deanofstudents@echo.rutgers.edu](mailto:deanofstudents@echo.rutgers.edu)]

[Rutgers University-Newark Dean of Students phone (973)353-5063 or email [DeanofStudents@newark.rutgers.edu](mailto:DeanofStudents@newark.rutgers.edu)]

If you have experienced any form of *gender or sex-based discrimination or harassment*, including sexual assault, sexual harassment, relationship violence, or stalking, the Office for Violence Prevention and Victim Assistance provides help and support. More information can be found at <http://vpva.rutgers.edu/>.

[Rutgers University-New Brunswick incident report link: <http://studentconduct.rutgers.edu/concern/>. You may contact the Office for Violence Prevention and Victim Assistance at (848)932-1181]

[Rutgers University-Newark incident report link: [https://cm.maxient.com/reportingform.php?RutgersUniv&layout\\_id=7](https://cm.maxient.com/reportingform.php?RutgersUniv&layout_id=7) . You may also contact the Office of Title IX and ADA Compliance at (973)353-1906 or email at [TitleIX@newark.rutgers.edu](mailto:TitleIX@newark.rutgers.edu). If you wish to speak with a staff member who is confidential and does **not** have a reporting responsibility, you may contact the Office for Violence Prevention and Victim Assistance at (973)353-1918 or email [run.vpva@rutgers.edu](mailto:run.vpva@rutgers.edu)]

If students who have experienced a temporary condition or injury that is adversely affecting their ability to fully participate, you should submit a request via <https://temporaryconditions.rutgers.edu> .

If you are a military **veteran** or are on active military duty, you can obtain support through the Office of Veteran and Military Programs and Services. <http://veterans.rutgers.edu/>

If you are in need of **mental health** services, please use our readily available services.

[Rutgers University-Newark Counseling Center: <http://counseling.newark.rutgers.edu/>]

[Rutgers Counseling and Psychological Services–New Brunswick: <http://rhscaps.rutgers.edu/>]

If you are in need of **physical health** services, please use our readily available services.

[Rutgers Health Services – Newark: <http://health.newark.rutgers.edu/>]

[Rutgers Health Services – New Brunswick: <http://health.rutgers.edu/>]

If you are in need of **legal** services, please use our readily available services: <http://rusls.rutgers.edu/>

Students experiencing difficulty in courses due to **English as a second language (ESL)** should contact the Program in American Language Studies for supports.

[Rutgers–Newark: [PALS@newark.rutgers.edu](mailto:PALS@newark.rutgers.edu)]

[Rutgers–New Brunswick: [eslpals@english.rutgers.edu](mailto:eslpals@english.rutgers.edu)]

If you are in need of additional **academic assistance**, please use our readily available services.

[Rutgers University-Newark Learning Center: <http://www.ncas.rutgers.edu/rlc>]

[Rutgers University-Newark Writing Center: <http://www.ncas.rutgers.edu/writingcenter>]

[Rutgers University-New Brunswick Learning Center: <https://rlc.rutgers.edu/>]

[Optional items that many faculty include:

- Students must sign, date, and return a statement declaring that they understand the RU Academic Integrity Policy.

- Students must sign, date, and return a statement declaring that they understand this syllabus.]