I. Course Focus and Objectives

Study the roles that international trade and investment, currency movements, derivative instruments, hedging strategies, and international agreements and institutions play in the management of multinational corporations.

II. Student Learning Outcomes

1. Illustrate how the foreign exchange market works, identify the various currency arrangements, derive currency values, and identify opportunities for arbitrage.
2. Define international parity relationships and utilize them to understand the future movement of exchange rates.
3. Identify and distinguish among alternative derivative instruments, differentiate types of exposures multinational corporations face, and utilize the instruments in order to hedge various exposures.
4. Identify the reasons for international trade, illustrate how countries may gain from it, and discuss the tools to hedge risks of international trade.
5. Manage international portfolio, identify the optimal portfolio, and explain the importance of diversification.
6. Identify the importance of cross-border investments, and determine a multinational firm’s decision-making process for long-term capital budgeting and short-term cash flows, and manage international taxation.
7. Identify the complex problems related to international finance.
8. Utilize materials learned in this course to solve those problems.

III. Course Materials

1. Lecture notes posted on Blackboard weekly
   - They are in the form of PowerPoint slides. Note that there are many slides per topic. I may not have time to cover all of them, but will focus on the important ones.
   - Students who like to learn more should look at all of them.
   - They are subject to change.
   - I may add some slides to clarify the points that the class doesn’t understand or other interesting materials that will benefit all of you. I may also delete some topics that we do not have time to cover in class. Thus, do not get upset if I
change, delete, or add some slides. I will notify you by writing a short note on BB under updated lectures when there is any change.

2. Case
   - There are 12 cases in total to be covered in this class.
   - You can purchase these cases directly from Harvard Business School Publishing at http://harvardbusinessonline.hbsp.harvard.edu
   - You are encouraged to read ALL cases covered in the class.
   - The reason I do not make them available as a course packet because I want to save your cost and let you decide whether you want to have them all.

   - If you plan to use an older edition, you need to compare your copy with the latest edition to make sure you have the same information covered in the class.

4. Business newspapers and journals:
   - Get in the habit of reading news about international financial markets, institutions, and firms on a weekly basis. The Wall Street Journal, Business Week, The Financial Times, and The Economist are my favorites.

5. A financial calculator

Suggested Readings

   This is one of the most current textbooks in international finance. It provides recent findings of the extant literature in international finance.

   This book provides excellent information on international trade, international taxation, and international capital budgeting.


**IV. Grading**

1) Midterm Exam I 23.3%
2) Midterm Exam II 23.3%
3) Midterm Exam III 23.3%
4) Final 20%
5) Group Presentation & write-up 10% (5% per case)
   - Each group has to do two cases but present only one of them.

**V. Exam dates**

The 1st midterm exam - September 20, 2012
The 2nd midterm exam - October 18, 2012
The 3rd midterm exam - November 15, 2012
Final exam - December 11, 2012

*Important:*

Please bring a *Scranton* (green type) on the above exam dates.

Due to the traits of financial economics, the exams will be cumulative of all material that have been taught and will test the ability to integrate the knowledge learned.

The instructor reserves the right to make changes in this tentative test dates with an early notification to students.

**VI. Exam Formats and Solutions**

The format for the exams most likely consists of multiple choice type questions.

To do well in the exam, I suggest you practice all questions in the lecture notes. The exam questions will be similar.

I will not give the exam back but you are welcomed to make an appointment with me to see your exam. I may talk about the solution of the exam if time permits. Again, you can make an appointment with me if you have any question.
VII. Percentile and Letter Grades

You will be graded on a curve, not on absolute scale.

According to the grading policy of the finance department,

“Grades shall genuinely distinguish between high and low levels of academic achievement. Undergraduate grades shall be:
A, outstanding achievement;
B, praiseworthy performance;
C satisfactory performance;
D, minimally passing and
F, failing.

The grade for average undergraduate achievement shall be C.”

VIII. HBS Case Write-up

The purpose of studying cases is for you to learn how to apply the theories that we learn in class to solve the real world problems. These cases were carefully selected and are based on real companies.

A case study, as the name suggests, is designed as a research assignment where students are encouraged to seek information from various sources to help them understand the case. With that said, some information was left out intentionally for students to be creative. In other words, students need to collect missing pieces to solve the puzzle. These cases are challenging, but certainly achievable.

My objective is to encourage you to do research and to develop your analytical thinking. Critical thinking will not only help you in this class but also in your career.

By working in a team, you will gain different perspectives from your teammates and learn to work together to achieve a positive outcome.

Solutions of each case will not be handed out. We will discuss the analysis of each case in class. I will assign a numerical grade for the case teams and post it on Blackboard.

All in all, each group has to do two cases but has to present only one of them.

There is NO page limit for case write-up.

Just simply answer the questions in order.

Be concise with your answers.
Submission format
1. The team must email me the followings before the class starts.
   a. A PowerPoint presentation file
   b. A document file contains answering all questions.
   c. A spreadsheet showing your calculation with formula embedded

2. A hardcopy of the above three files must be submitted at the beginning of the class

3. Submit a doc file to SafeAssign (I will announce later)

4. Answer the questions in order

5. In addition to the content of your answer, I grade your write-up based on “Written Communication Rubric” posted on BB. This rubric was developed by the College of Business Administration.

Note: If you don’t submit both excel and doc files to me and a Doc file to SafeAssign, I will not grade your work.

IX. HBS Case Presentation

As mentioned above, you will present only one case, which is the same one you submit for the write-up mentioned in section VII.

Presenting format:
1. Plan to present for 25 minutes.
2. Answer all questions in the write-up but pay particular attention to analytical and quantitative questions in your presentation
3. Assume that your classmates do not read the case, so provide necessary background of the case.
4. Show how you analyze the case.
5. If you solve the case using new methodologies that are not covered in the class, you will get extra credits.
6. Be creative.
7. Leave 10 minutes for a full discussion.
8. In addition to the content of your presentation, I grade your presentation based on “Oral Communication Rubric” posted on BB. This rubric was developed by the College of Business Administration.

When you have to submit these two write-ups and present the case

See the course outline at the end of this syllabus. For instance, if your group has to present and do a write-up for GM Hedging: Transactional and Translational and only do a write-up for AES Capital Budgeting, you will present and submit a write-up for GM

**Where can I find the questions about these cases?**
They are posted on Blackboard in “Course Document” under “Cases” folder.

**Where can I find the solutions of the case?**
As mentioned above, I will **not** post the solution of these cases in a public domain since these cases will be used in the future. We will discuss the main concept and solution in class. If you are curious to know how to solve the questions in detail, you can make an appointment with me. I suggest you discuss with the group that present the case about their analyses. We will discuss how they analyze the case in class.

In sum, be aware that the case assignments are **challenging** and usually require some financial knowledge **outside** the class. Since they are based on REAL companies, you need to do **research** in order to analyze the case and solve the questions.

**X. Over-ride Criterion: Intra-team Evaluation**

At the end of the semester, you will be asked to allocate points to fellow group members, based on their contribution to your case work. The number of points you have to allocate is equal to the number of other group members x 10. For example, if there are 4 members other than you on your team, you will allocate 40 points among them. If everyone pulled their weight, an obvious allocation is 10 points to each member, in which event this element of the evaluation will disappear. You do not grade yourself.

If a substantial number of team members believe a member has either not participated fully, or has carried more than a proportional share of the work, I will take that into account in the final course grade.

It is your responsibility to **email** me the intra-team evaluations. For submitting each of the three intra-team evaluations, you get 3 points as a bonus point.

**XI. Practice questions**

We have two types of practice questions (Internet and problem solving). Internet questions are posted on the Blackboard and practice questions are at the end of each lecture note. Of course, they are not graded and you are not required to submit any of them. Nevertheless, you should practice them on a weekly basis since they will help you understand the materials better.

**XI. Cheating**

You will submit all group assignments and take-home exams (if we have) through **SafeAssign**, which will check for plagiarism.
Since we will use SafeAssign in the course, please read a below statement before you decide to take this course. It is a requirement by SDSU that I have to notify you about this.

By taking this course, you agree that all required papers may be subject to submission for textual similarity review to SafeAssign™ for the detection of plagiarism. All papers submitted for review will be included as source documents in SDSU's SafeAssign™ institutional archive. Students are also encouraged to include their papers as source documents in the SafeAssign™ Global Reference Database by checking the appropriate box during assignment submission. You may remove personally identifying information from your paper prior to submission.

The bottom line is cheating is forbidden! Students who submit any works that replicate other students’ works from current or previous semester or the solution that I disclosed to students in past semesters will be regarded as cheating.

Moreover, submitting a solution that is available from any public domain is regarded as cheating.

In the exams, students who cheat or try to cheat will get a failing grade and appropriate action, following the university policy, will be taken.

XII. Assignment due in the second class

1. Information sheet
   - In order to know your background better and customize the class to your need, I would like to have your information.
   - Rest assured that your information will be kept confidential.
   - Fill in the information sheet that is posted on Blackboard and attach your current photo taken within 6 months.

2. The names of your teammates: 4 persons per group

XIII. Make-up exam

Student who cannot take the exam must submit an official letter providing the reason for the absence. He/she will also provide appropriate evidence from an appropriate authority to support his/her reason for missing the exam. The make-up exam can be an oral one.

XIV. Regrading

Grades are often double-checked before sending out. Thus, be absolutely sure before requesting for regrading. There have been a few cases in the past where regrading resulted in a slight decrease rather than an increase. If you absolutely believe that a mistake had been made, submit a letter providing reasons why your exam should be regraded.
XV. Email

Email will be answered in the order in which it was received. Keep in mind that I get quite a lot of emails every day and, therefore, may not be able to answer every email immediately. So, be patient. For important matters, come to an office hour (listed on the first page) or discuss with me during a break or after class.

XVI. Attendance

I do not assign grades for attendance because I believe all of you can study on your own. Nevertheless, if you do not attend the class, it is your responsibility to follow up the materials and what I mentioned in class with your classmates. I teach at least two classes per semester and have over 100 students to take care of; as such, I may not have time to go over with you individually and repeatedly. It is your responsibility to update information announced in class with your classmates.
## COURSE OUTLINE*

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<th>Topic</th>
<th>Chapter in Shapiro</th>
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<td>Introduction: Foreign Exchange Market</td>
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<td>Spot and Forward Rates</td>
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<td>Currency Futures</td>
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<td>Currency Options</td>
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<td>International portfolio management</td>
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<td>Hedging foreign exchange risk</td>
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<td>Hedging foreign exchange risk (cont’d)</td>
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<td>International capital budgeting</td>
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<td>Case Presentation I</td>
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<td>a) Hedging Currency Risks at AIFS</td>
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<td>b) Innocent Abroad</td>
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<td>c) BMW Currency Hedging 2007</td>
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<td>d) Nodal Logistics and Custo Brasil</td>
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<td>e) GM Hedging: Transactional and Translational</td>
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<td>f) GM Hedging: Competitive Exposure</td>
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<td>Case Presentation III</td>
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<td>g) The Refinancing at Shanghai General</td>
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<td>h) Wiley International</td>
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<td>i) AES Capital Budgeting</td>
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<td>k) Drilling South</td>
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<td>l) Fonderia Di Torino S.p.A</td>
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<td><strong>Final exam</strong></td>
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Websites where you can purchase these cases

i. **Hedging Currency Risks at AIFS**

ii. **Innocents Abroad: Currencies and International Stock Returns**

iii. **BMW: Currency Hedging 2007**

iv. **Nodal Logistics and Custo Brasil**

v. **Foreign Exchange Hedging Strategies at General Motors: Transactional and Translational Exposures**

vi. **Foreign Exchange Hedging Strategies at General Motors: Competitive Exposures**


vii. **Refinancing of Shanghai General Motors (A)**
    http://hbr.org/product/refinancing-of-shanghai-general-motors-a/an/204031-PDF-ENG?Ntt=vii.%09Refinancing+of+Shanghai+General+Motors+(A)

viii. **Wiley International**

ix. **Globalizing the Cost of Capital and Capital Budgeting at AES**

x. **Continuing Transformation of Asahi Glass: Implementing EVA**


xi. **Drilling South: Petrobras Evaluates Pecom**


xii. **Fonderia Di Torino S.p.A.**
Suggestions for Your Write-Ups

1. Provide a table of content

2. Always mention your assumptions clearly

3. Be creative in your analyses
   a. For instance, apply your knowledge learned in FIN 323 and other finance courses

4. Answer questions in order, not in an essay form.

5. Use graphs if necessary

6. You might submit formula matrices as a hard copy

7. Be careful of your writing. Make sure you edit your work before submission. I understand you divide works among your teammates. When you compile them, make sure they are coherent. For instance, since this is teamwork, you should use “we” not “I”

8. Numbers mean nothing without any interpretation, so always interpret your results. Please don’t just show me numbers.

9. End with a reference section
   a. Provide the source of information you extract from a public domain. I suggest you quote in the draft and add a reference section describing the detail of each quotation at the end of your write-up.
   b. If you extract information from a webpage, please mention that web address.
   c. If it is from a publication, mention the authors and name of that publication.

10. Put detailed information or data into appendix