



**BUSI 3505A
Global Finance and the
Multinational Enterprise**

Fall 2014

INSTRUCTOR	Michael McIntyre	PHONE	613-520-2600 ext. 2514
CLASS TIME	Tuesdays 8:35AM to 11:25AM	E-MAIL	michael.mcintyre@carleton.ca
ROOM:	RB3110		

This course presents a comprehensive view of the multinational enterprise (MNE) and its financial drivers. The primary focus will be on the understanding the finance function within an MNE and the financial policies and transactions typical of MNEs.

Prerequisites

BUSI 2505 with a grade of C+ or higher, STAT 2606 and ECON 2009 with a grade of C- or higher in each. **The School of Business enforces all prerequisites.**

Course Objectives

The purpose of this course is to do the following:

- a) Convey concepts fundamental to an understanding of the finance function in multinational enterprises; and,
- b) Illustrate the types of problems that financial executives face in multinational enterprises, and some of the analytical tools available for the solution of these problems.

The course is mainly lecture-based, augmented by three course deliverables – a presentation on a country to be approved by the instructor, a risk management case, and a presentation on a multinational enterprise to be approved by the instructor. Students are encouraged to participate in the discussions of the currencies, the risk management case, and the MNEs.

Required Text

Eun, C. S., B. G. Resnick, and D. J. S. Brean, *International Financial Management: Canadian Perspectives*, Second Canadian Edition, McGraw Hill

Learning Objectives

1. Define the term MNE and explain how MNEs enhance financial success through going global.
2. Provide an overview of foreign currencies and their role in MNE strategic decision-making.
3. Understand the importance to an MNE of raising capital globally, the foreign exchange implications of doing so and the hedging alternatives to address them.
4. Describe the typical relationships an MNE has with global financial market players and financial institutions to maintain access to global capital and FX markets.
5. Describe the role of a comprehensive treasury policy in an MNE and the typical contents of such a policy.
6. Describe and explain a typical foreign direct investment policy for an MNE
7. Understand country risk, political risk and strategies for managing these matters

Course Schedule

Week	Topic	Text Reference(s)
1 Sept. 9	Course introduction. Explanation of international finance Globalization and the multinational firm.	Ch. 1
2 Sept. 16	International monetary system; balance of payments The market for foreign exchange	Ch. 2 and 3 Ch. 4
3 Sept. 23	Parity conditions Foreign exchange rate determination Presentation selection form due at the beginning of class	Ch. 5
4 Sept. 30	Country presentations	
5 Oct. 7	Risk Management I	Ch. 9, 10
6 Oct. 14	Mid Term Test	
7 Oct. 21	Guest Lecture	
8 Oct. 28	Reading Week	
9 Nov. 4	Risk management II	
10 Nov. 11	Derivatives/Project Finance Presentations	
11 Nov. 18	Working capital management Imports and exports	Ch. 18 Ch. 19
12 Nov. 25	Foreign direct investment and cross border acquisitions International capital structure, cost of capital International capital budgeting	Ch. 15 Ch. 16 Ch. 17
13 Dec. 2	MNE Presentations	

Grading Scheme¹

Presentation selection	5%
Country presentation	10%
Derivatives/Project Finance presentation	10%
MNE presentation	15%
Mid Term	25%
Final Exam	35%

¹ The country, derivatives/project finance, and MNE presentations will be completed in groups of five students.

All course material, including content from the country presentations, derivatives/project finance, and MNE presentations, is eligible for testing on the final exam. In the event a student cannot participate in class, complete the mid-term test or complete a course deliverable for a reason permitted under the university's guidelines, the weighting of the course component will be added to the weighting of the final exam provided the student submits the appropriate supporting documentation (e.g. doctor's note).

Course Components

Presentation Selection Form

To ensure no repetition of topics, the course instructor will approve all presentation topics. Accordingly, please complete the form that appears on page 6 of this course outline and submit it **at the beginning of class on September 23rd**. The form allows students to identify three alternatives for each of the three topics. The purpose of this is to provide alternatives in case two or more groups choose the same topic. This is a marked deliverable. Perfect completion of the form and timely delivery is worth 5 marks.

Country presentation

Prepare and deliver a presentation, strictly limited to a time to be determined in class, on the history, status and prospects of a country's currency. The presentation is to consider the following:

- a) A brief description of the country and its economy, including key industries and products;
- b) The key political and economic events that affected the currency over the last one hundred years;
- c) Current key macroeconomic indicators (e.g. money supply growth, fiscal spending, deficits, balance of payments, national debt, GDP per capital, and productivity, quality of life and corruption perceptions);
- d) Current fiscal and monetary policy;
- e) Comment on how well the country has managed its currency;
- f) Whether or not the country is of interest to an MNE – e.g. as a source of supply, a market, a manufacturing location; and,
- g) Concluding comments.

Please use the concepts presented in the book and in class to support your discussion. The deliverable is a soft copy of the presentation to be emailed to the course instructor before class on the day of the presentation and a hard copy of the presentation to be handed in at the time of the presentation. Please include the country name, course number and year in the file name (e.g. China 3504 F12.ppt).

Derivatives/Project Finance presentation

Students are to choose one of the two alternatives presented below.

1. Students can choose to present details of a situation in which a company or government experienced significant difficulties due to its involvement with derivative securities. Matters such as large losses, corporate failure or rogue trading are the kinds of problems you should be looking for. The company/government must be different from your

MNE/currency selection. If you choose this alternative your task is to prepare a presentation, strictly limited to a time to be determined in class, that describes the following:

- a) the company/government that is involved;
 - b) a brief description of what the company/government does and where it is located;
 - c) the nature of the difficulties the company/government experienced due to its involvement with derivative securities;
 - d) analysis of how the company/government got into this position;
 - e) consequences for the company/government; and,
 - f) matters one can learn from this situation.
2. Alternatively, students can present details of a completed or nearly completed project that was financed on a *project financing* basis – that is, where the financing has recourse only to the project itself for servicing and repayment. If you choose this alternative your task is to prepare a presentation, strictly limited to 15 minutes, that describes the following:
- a) a project that has been completed, is in progress, or is in the advanced stages of planning;
 - b) the financial and other benefits of the project (i.e. tell us why the project was done, or is planned to be done);
 - c) the risks inherent in the project;
 - d) the planned or actual project financing; and,
 - e) how some or all of the risks were handled in the financing or other arrangements embedded in the project. If any were not handled, and remain significant or interesting, please tell us about them.

The project you choose to address need not be related to your choice of country in topic 1, but it is often efficient to do so. Projects with a physical location within Canada or the US are ineligible for the purpose of presentation 2. Projects with debt that is effectively guaranteed by a government are also ineligible.

The deliverable is a soft copy of the presentation to be emailed to the course instructor before class on the day of the presentation and a hard copy of the presentation to be handed in at the time of the presentation. After presentation 1, your group will be identified by its country name. Accordingly, please use a file name following this example: China Millau Viaduct 3504 W2010.pptx

MNE presentation

Prepare and deliver a presentation, strictly limited to a time to be determined in class, on the history, status and prospects of a multi-national enterprise (“MNE”). The presentation is to consider the following:

- a) A brief description of the company with particular emphasis on the products or services it delivers and its comparative advantage – what does it do well compared to its competitors;
- b) The extent to which it is international – maps of locations work well here;

- c) What motivated it to become a multinational enterprise – specifically which comparative advantages was it seeking to exploit;
- d) Challenges and difficulties the company has faced or currently faces because of its internationalization – political risk, etc.;
- e) The company's response to controlling or managing its challenges;
- f) Whether or not becoming an MNE has been beneficial for the company expressed in both strategic and financial terms; and,
- g) Concluding comments.

The company must be foreign. For the purposes of this course a company is foreign if its main share listing is not the TSE or an American exchange and its head office is outside Canada or the US. Please use the concepts presented in the book and in class to support your discussion. The deliverable is a soft copy of the presentation to be emailed to the course instructor before class on the day of the presentation and a hard copy of the presentation to be handed in at the time of the presentation. After presentation 1, your group will be identified by its country name. Accordingly, please use a file name following this example: China Sony 3504 W2010.pptx

General Comments on Presentations

The presentation marks will be divided approximately into 80% for content, and 20% for presentation skills. Your content mark will depend on the quality of your facts and explanations. Your presentation mark will depend on the quality of your presentation and your adherence to the following:

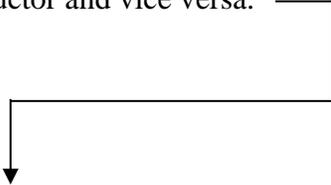
- a) Each group member must speak in the presentation.
- b) The presentation must be completed within the specified time limit. If it isn't, you will be asked to end your presentation and your presentation mark may be adjusted downwards.
- c) Your presentation mark will depend on the clarity of your overheads and comments, whether or not you are convincing in your arguments, and whether the story you tell is interesting.

Class participation

Students are expected to participate in all classes, especially the country presentations, the risk management case, and the MNE presentations.

**BUSI 3504 International Finance
Topic Selection Form**

Please use the following form to submit group member details, and topic selections. Each group must indicate with an X in the second column the member who will correspond with the instructor and vice versa.



PLEASE PRINT CLEARLY

		Name	Carleton Email Address	Student Number
1.				
2.				
3.				
4.				
5.				

Presentation	Name or Description	Comments (optional)
Country	1. 2. 3.	
Project Financing/Derivatives Issue	1. 2. 3.	
MNE	1. 2. 3.	

Additional Important Information

Required calculator in BUSI course examinations

If you are purchasing a calculator, we recommend any one of the following options: Texas Instruments BA II Plus (including Pro Model), Hewlett Packard HP 12C (including Platinum model), Staples Financial Calculator, Sharp EL-738C & Hewlett Packard HP 10bII

Group work

The Sprott School of Business encourages group assignments in the school for several reasons. They provide you with opportunities to develop and enhance interpersonal, communication, leadership, follower-ship and other group skills. Group assignments are also good for learning integrative skills for putting together a complex task. Your professor may assign one or more group tasks/assignments/projects in this course. Before embarking on a specific problem as a group, it is your responsibility to ensure that the problem is meant to be a group assignment and not an individual one.

In accordance with the Carleton University Undergraduate Calendar (p 34), the letter grades assigned in this course will have the following percentage equivalents:

A+ = 90-100	B+ = 77-79	C+ = 67-69	D+ = 57-59
A = 85-89	B = 73-76	C = 63-66	D = 53-56
A - = 80-84	B - = 70-72	C - = 60-62	D - = 50-52
F = Below 50	WDN = Withdrawn from the course		

ABS = Student absent from final exam

DEF = Deferred (See above)

FND = (Failed, no Deferred) = Student could not pass the course even with 100% on final exam

Academic Regulations, Accommodations, Etc.

University rules regarding registration, withdrawal, appealing marks, and most anything else you might need to know can be found on the university's website, here:

<http://calendar.carleton.ca/undergrad/regulations/academicregulationsoftheuniversity/>

Requests for Academic Accommodations

Academic Accommodations for Students with Disabilities

The Paul Menton Centre for Students with Disabilities (PMC) provides services to students with Learning Disabilities (LD), psychiatric/mental health disabilities, Attention Deficit Hyperactivity Disorder (ADHD), Autism Spectrum Disorders (ASD), chronic

medical conditions, and impairments in mobility, hearing, and vision. If you have a disability requiring academic accommodations in this course, please contact PMC at 613-520-6608 or pmc@carleton.ca for a formal evaluation. If you are already registered with the PMC, contact your PMC coordinator to send me your **Letter of Accommodation** at the beginning of the term, and no later than two weeks before the first in-class scheduled test or exam requiring accommodation (*if applicable*). After requesting accommodation from PMC, meet with me to ensure accommodation arrangements are made.

- - The deadlines for contacting the Paul Menton Centre regarding accommodation for final exams for the December 2014 exam period is November 7, 2014 and for the April 2015 exam period is March 6, 2015.

For Religious Obligations:

Students requesting academic accommodation on the basis of religious obligation should make a formal, written request to their instructors for alternate dates and/or means of satisfying academic requirements. Such requests should be made during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist, but no later than two weeks before the compulsory event.

Accommodation is to be worked out directly and on an individual basis between the student and the instructor(s) involved. Instructors will make accommodations in a way that avoids academic disadvantage to the student.

Students or instructors who have questions or want to confirm accommodation eligibility of a religious event or practice may refer to the Equity Services website for a list of holy days and Carleton's Academic Accommodation policies, or may contact an Equity Services Advisor in the Equity Services Department for assistance.

For Pregnancy:

Pregnant students requiring academic accommodations are encouraged to contact an Equity Advisor in Equity Services to complete a letter of accommodation. The student must then make an appointment to discuss her needs with the instructor at least two weeks prior to the first academic event in which it is anticipated the accommodation will be required.

Academic Integrity

Violations of academic integrity are a serious academic offence. Violations of academic integrity – presenting another's ideas, arguments, words or images as your own, using unauthorized material, misrepresentation, fabricating or misrepresenting research data, unauthorized co-operation or collaboration or completing work for another student – weaken the quality of the degree and will not be tolerated. Penalties may include expulsion; suspension from all studies at Carleton; suspension from full-time studies; a refusal of permission to continue or to register in a specific degree program; academic probation; and a grade of Failure in the course, amongst others. Students are expected to familiarize themselves with and follow the Carleton University

Student Academic Integrity Policy which is available, along with resources for compliance at <http://www2.carleton.ca/sasc/advisingcentre/academic-integrity/>.

Assistance for Students:

Student Academic Success Centre (SASC): www.carleton.ca/sasc

Writing Tutorial Services: <http://www1.carleton.ca/sasc/writing-tutorial-service/>

Peer Assisted Study Sessions (PASS): www.carleton.ca/sasc/peer-assisted-study-sessions

Important Information:

- Students must always retain a hard copy of all work that is submitted.
 - All final grades are subject to the Dean's approval.
 - Please note that you will be able to link your CONNECT (MyCarleton) account to other non-CONNECT accounts and receive emails from us. However, for us to respond to your emails, we need to see your full name, CU ID, and the email must be written from your valid CONNECT address. Therefore, it would be easier to respond to your inquiries if you would send all email from your connect account. If you do not have or have yet to activate this account, you may wish to do so by visiting <https://portal.carleton.ca/>
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