

International Finance
FINA5514D F2, 2014

Thursdays, 6:05 pm - 8:55 pm, CB2202

Instructor: Mike McIntyre

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Office Hours: By appointment, with high probability of being accessible for drop-ins on Wednesday and Thursday afternoons.

Course Description:

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 present some of the analytical tools available for the solution of these problems. The course will include information concerning how financial managers in multinational enterprises make financing and investment decisions, foreign exchange markets, parity conditions, currency quotation methods, management of foreign exchange risk and political risk, and international capital budgeting.

Learning Objectives:

- Learn the nature of foreign exchange markets
- Learn the drivers of FX levels
- Learn the basic parity relationships in FX markets
- Learn basic risk management objectives, and related tools
- Learn how the international context leads to variation the basic corporate finance functions

Course Restrictions: Enrolment in the MBA

Course Prerequisites: [ACCT 5001](#), [ACCT 5002](#), [BUSI 5801](#), [FINA 5501](#) and [FINA 5502](#)..

Required Sources

1. Multinational Business Finance, D.K. Eiteman, A.I. Stonehill and M.H. Moffat, 13th edition, Prentice Hall. ISBN-10: 0132743469 (“ESM”) (The 12th edition will suffice, but chapter references are to this edition)
2. *Foreign Exchange Markets and Transactions*. HBS 9-205-016. (28 pages)

¹ Please use this email address to make contact. I do not check the CULearn email.

3. *Note on Country Risk and Competitive Advantage in Latin America*. Ivey 9A98G01. (5 pages)

Suggested Sources (not “Required”)

4. Eun, C. S., B. G. Resnick, and D. J. S. Brean, *International Financial Management: Canadian Perspectives*, Second Canadian Edition, McGraw Hill.
5. Graham, J. R., and C. R. Harvey. 2001. The theory and practice of corporate finance” evidence from the field. *Journal of Financial Economics*, (60), p. 187 – 243.

Exam Date: There is a final exam in this course. It is a take home exam with the due date to be determined in class.

Drop Course Policy:

You may drop this course up until the END of the second week of classes. Students that drop a class in the third week will receive a WDN but will automatically have the grade changed to ABS. A grade of ABS is considered a failing grade. Students with relevant medical issues and supporting documentation may petition the School to have the ABS grade changed back to WDN.

Grading Scheme:

	%
Group registration form	5
Assignments	
Country presentation	20
MNE presentation	25
Class participation	10
Final exam	40
	<hr/>
Total	<u>100</u>

Deferred Final Examination:

Students unable to write a final examination because of illness or other circumstances beyond their control must contact the instructor and the MBA office in writing to request a deferred exam. Permission may be granted when the absence is supported by a medical certificate and or appropriate document/s to support the reason for the deferral. Deferred exams are not granted for students who have made travel arrangements that conflict with examination schedule.

Late assignments may not be accepted. Late final exams may not be accepted.

Course Schedule:

	Date	Topics	Chapters
1	Nov. 6, 2014	Global Financial Environment Globalization and the Multinational Enterprise Financial Goals and Corporate Governance The International Monetary System The Balance of Payments Current Multinational Financial Challenges	1-5
2	Nov. 13, 2014	Foreign Exchange Theory and Markets The Foreign Exchange Market International Parity Conditions Foreign Exchange Rate Determination and Forecasting Group Registration Form Due	6, 7,9
3	Nov. 20, 2014	Country Presentations	
4	Nov. 27, 2014	Foreign Exchange Exposure Transaction Exposure Operating Exposure Risk Management	10, 12 8
5	Dec. 4, 2014	Financing the Global Firm Foreign Direct Investment Theory and Political Risk Multinational Capital Budgeting	13, 14 17 18
6	Dec. 11, 2014	MNE Presentations	14, 15

Course Components***Group Registration Form***

Please complete the group registration form included in the course outline and submit it in the indicated class. Late or incomplete submission will result in a significant mark penalty.

Country Presentation

Please prepare a presentation, duration of strictly 12 minutes, on a country to be approved by the instructor. Boring or excessively familiar countries are not permitted. Please consider the following:

- a) A brief description of the country and its economy;
- 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) Whether or not the country is of interest to an MNE – e.g. as a source of supply, a market, a manufacturing location; and,
- f) Concluding comments.

Please use the concepts presented in the book and in class to support your discussion. The deliverable is an oral presentation, and hand-in of the power point deck used in the presentation. Every group member must speak in the presentation.

MNE Presentation

Please prepare a presentation, duration of strictly 12 minutes, on the history, status and prospects of a multi-national enterprise (“MNE”) to be approved by the instructor. Boring or excessively familiar MNEs are not permitted. Please consider the following:

- a) A brief description of the company;
- b) The extent to which it is international;
- c) What motivated it to become a multinational enterprise;
- d) Challenges and difficulties the company has faced or currently faces because of its internationalization;
- e) The company’s response to controlling or managing its challenges (Response);
- f) Whether or not becoming an MNE has been beneficial for the company expressed in both strategic and financial terms; and,
- g) Concluding comments.

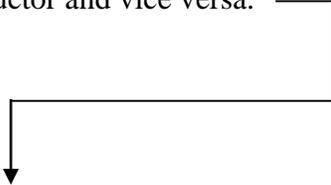
Please use the concepts presented in the book and in class to support your discussion. The deliverable is an oral presentation, and hand-in of the power point deck used in the presentation. Every group member must speak in the presentation.

Class participation

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

**FINA5514 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.	
MNE	1. 2. 3.	

Additional Important Information

Policy on Mobile Devices

The use of mobile devices IS NOT PERMITTED in this class. It is disruptive to the instructor and class members. If you carry such a device to class, please make sure it is turned off. If an emergency situation requires you to keep it turned on, please discuss this with your instructor prior to class.

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, followership and other group skills. Group assignments are also good for learning integrative skills for putting together a complex task. Your instructor may assign one or more group tasks/assignments/projects in this course.

<http://sprott.carleton.ca/students/undergraduate/bcom/group-work-resources/>

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.

Person with Disabilities

Students with disabilities requiring academic accommodations in this course are encouraged to contact a co-ordinator at the Paul Menton Centre for Students with Disabilities to complete the necessary letters of accommodation. After registering with the PMC, make an appointment to meet and discuss your needs with me at least two weeks prior to the first in-class test or ITV midterm exam. This is necessary in order to ensure sufficient time to make the necessary arrangements. Please refer to <http://www.carleton.ca/pmc/> for all PMC information.

Religious Observance

Students requesting academic accommodation on the basis of religious observance 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 academic 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.

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/>.

Important Dates and Deadlines