

# 1. General Course Information

**Course Title:** FINA 5514

International Finance

**Credit Weight:** 0.25 credits

**Prerequisites:** FINA 5502

# 2. Course Description

Issues encountered by the multinational financial manager in making financing and investment decisions within a global context. Foreign exchange markets, parity conditions, currency quotation methods, management of foreign exchange/political risk, and international capital budgeting.

# 3. Course Rationale

The purpose of this course is to convey concepts fundamental to an understanding of the finance function in multi-national enterprises and to illustrate the types of problems that financial executives face in multinational enterprises, as well as to present some of the analytical tools available to 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, and management of foreign exchange risk.

# 4. Course Learning Objectives

After successfully completing this course, you will be able to:

- CO1. Explain the purpose and operation of foreign exchange markets.
- CO2. Identify the main drivers of foreign exchange levels.
- CO3. Explain parity relationships in foreign exchange markets.
- CO4. Identify risk management objectives and apply risk management tools.
- CO5. Explain political risk and its implications for a multinational enterprise.
- CO6. Discuss how the international context affects capital budgeting decisions

# 5. Course Modality: Asynchronous

This is a fully online course where instructors and students share information, ideas, and learning experiences in a virtual course space. Asynchronous courses do not require participation in scheduled meetings. However, students are expected to remain

up to date with the deadlines and due dates provided by the instructor. This course requires high-speed Internet access and a computer.

## 6. Course Schedule

Please regularly check and log into Brightspace to review new content. Configure your personal notifications to opt into course announcements so that they will be emailed to your Carleton email address.

Module	Topics	Materials	Deliverable (all deliverables are due on Sundays of respective weeks @11:59pm)
<b>Module 1: Global financial environment</b>	<ol style="list-style-type: none"> <li>1. Global financial marketplace</li> <li>2. Theory of competitive advantage</li> <li>3. Domestic vs international financial management</li> </ol>	<ul style="list-style-type: none"> <li>• Lecture videos&amp;slides</li> <li>• Ch.1.1-1.4 in textbook</li> </ul>	<ul style="list-style-type: none"> <li>• Module 1 Quiz</li> </ul>
<b>Module 2: International Monetary System and the Balance of Payments</b>	<ol style="list-style-type: none"> <li>1. International monetary system</li> <li>2. Exchange rate regimes</li> <li>3. Balance of payments</li> </ol>	<ul style="list-style-type: none"> <li>• Lecture videos&amp;slides</li> <li>• Ch.2.2-2.3; 3.2-3.4 in textbook</li> <li>• Module 2 mini-case (Euro/Yuan)</li> </ul>	<ul style="list-style-type: none"> <li>• Module 2 Quiz</li> <li>• Week 2 discussion board post and comments</li> </ul>
<b>Module 3: Foreign Exchange Markets and Parity Relationships</b>	<ol style="list-style-type: none"> <li>1. Prices and exchange rate</li> <li>2. Interest rates and exchange rates</li> <li>3. Prices, interest rates, and exchange rates in equilibrium</li> </ol>	<ul style="list-style-type: none"> <li>• Lecture videos&amp;slides</li> <li>• Ch.6.1-6.4; 8.1 in textbook</li> </ul>	<ul style="list-style-type: none"> <li>• Module 3 Quiz</li> <li>• <b>Country group presentation</b></li> </ul>

sample

Module	Topics	Materials	Deliverable (all deliverables are due on Sundays of respective weeks @11:59pm)
<b>Module 4:</b> <b>Foreign Exchange Management Tools</b>	<ol style="list-style-type: none"> <li>1. Forwards and futures</li> <li>2. Options</li> <li>3. Swaps</li> </ol>	<ul style="list-style-type: none"> <li>• Lecture videos&amp;slides</li> <li>• Ch.7.1-7.3; 8.5 in textbook</li> </ul>	<ul style="list-style-type: none"> <li>• Module 4 Quiz</li> <li>• Week 4 discussion board post and comments</li> </ul>
<b>Module 5:</b> <b>Foreign Exchange Exposure</b>	<ol style="list-style-type: none"> <li>1. Transaction exposure</li> <li>2. Translation exposure</li> <li>3. Operating exposure</li> </ol>	<ul style="list-style-type: none"> <li>• Lecture videos&amp;slides</li> <li>• Ch.10.1-10.4; 11.1-11.4; 12.1-12.2 in textbook</li> </ul>	<ul style="list-style-type: none"> <li>• Module 5 Quiz</li> </ul>
<b>Module 6:</b> <b>Foreign Investments and Political Risk</b>	<ol style="list-style-type: none"> <li>1. Foreign direct investments</li> <li>2. Political risk</li> </ol>	<ul style="list-style-type: none"> <li>• Lecture slides</li> <li>• Ch.17.3-17.5 in textbook</li> </ul>	<ul style="list-style-type: none"> <li>• Module 6 Quiz</li> <li>• Week 6 discussion board post and comments</li> </ul>
<b>Module 7:</b> <b>Multinational Capital Financing and Budgeting</b>	<ol style="list-style-type: none"> <li>1. Complexities of international capital budgeting</li> <li>2. International sources of equity capital</li> <li>3. International sources of debt capital</li> </ol>	<ul style="list-style-type: none"> <li>• Lecture slides</li> <li>• Ch.14.3-14.6, 18.2 in textbook</li> </ul>	<ul style="list-style-type: none"> <li>• Module 7 Quiz</li> <li>• MNE Group Presentation</li> </ul>

## 7. Learning Materials

### Textbook

- David K. Eiteman; Arthur I. Stonehill; Michael H. Moffett, Multinational Business Finance, 16th Edition, ISBN 9780137669134

- Course lecture videos and presentation slides

## 8. Grading Scheme

Activity	Scored Out of	Percent of Total Grade
<b>Quizzes (7@5% each)</b>	10	35%
<b>Discussion contributions (3@5% each)</b>	5	15%
<b>Group country presentation</b>	25	25%
<b>Group MNE presentation</b>	25	25%
<b>TOTAL</b>	100	100%

1. **Quizzes:** Quizzes are designed to focus on material that was covered in each module's lecture videos and PowerPoint slides. Each of the 7 module quizzes will consist of 10 questions (multiple-choice and single answer). You will write the quizzes in Brightspace.

### 2. Discussion contributions

During every other week (Week 2, Week 4, Week 6) you need to create a post based on a discussion topic as well as to comment on the posts of two classmates.

### 3. Country Group Presentation (groups of 3-4 people will be assigned by the instructor before the class starts)

Prepare and deliver a presentation, strictly limited to 20 minutes, on the history, status, and prospects of a country's currency. The presentation is to consider the following:

- A brief description of the country and its economy, including key industries and products;
- The key political and economic events that affected the currency over the last one hundred years or so;
- Current key macroeconomic indicators (e.g. money supply growth, fiscal spending, deficits, balance of payments, national debt, GDP per capita, productivity, quality of life, and corruption perceptions);
- Current fiscal and monetary policy;
- Comment on how well the country has managed its currency or is managing under a currency regime imposed upon it;
- Whether 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 textbook and lecture videos/slides to support your discussion. **The deliverables are: (i) a recorded video of the group presentation (can be recorded asynchronously: each member can record an individual video covering a specific part of the presentation and then combine the videos in one video) and (ii) a copy of the presentation slide deck. Both need to be uploaded to Brightspace.**

Please include the presenters' names in the first slide.

#### **4. MNE Group Presentation (groups of 3-4 people will be assigned by the instructor before the class starts)**

Prepare and deliver a presentation, strictly limited to 20 minutes, 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 an emphasis on the products or services it delivers and its comparative advantage – what it does 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 – e.g. which comparative advantages were 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 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 textbook and lecture videos/slides to support your discussion. **The deliverables are: (i) recorded video of the group presentation (can be recorded asynchronously: each member can record an individual video covering a specific part of the presentation and then combine the videos in one video) and (ii) a copy of the presentation slide deck. Both need to be uploaded to Brightspace.**

Please include the presenters' names in the first slide.

## General Comments on Presentations

The Country and MNE marks will be divided approximately into 60% for report content, and 40% for presentation skills. Your content mark will depend on the quality of your facts and explanations. The content report [Country and MNE] must be in 12 font and between 12- 15 pages in length, not including any Appendices, which could be additional. 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 country presentation and the MNE presentation.
- b) The presentation must be completed within the specified time limit.
- c) Your presentation mark will depend on the clarity of your PowerPoint slides and your comments, whether your arguments are convincing, and whether the story you tell is interesting.
- d) Peer evaluation forms will be completed after both presentations [Country and MNE]. These will have a bearing on your individual grade. See *Section 12* of this outline for more details.

## Late Assignments

To ensure fairness to all students, penalties will be applied to late assignments: Failure to submit an assignment on time will result in an initial penalty of 10 (5) percentage points, followed by an additional (2) percentage points per day thereafter. For example, an assignment that would normally merit a grade of 80% would receive a grade of 75% if submitted after the deadline on the due date, 73% if submitted the following day, and so on.

Requests for extension without penalty will be considered in cases of illness, family emergency, or other exceptional circumstances.