

**Summer 2013**

**Discipline: Business/Finance**

**SEMS 3500-103: Global Finance**

**Division: Upper**

**Faculty Name: Todd Shank**

**Pre-requisites:** Basic (Principles level) Financial Management

### **COURSE DESCRIPTION**

This course studies how managers in multinational corporations detect international opportunities, assess exposure to risk, and manage the unique set of risks that arise when firms decide to do business outside their national boundaries. In general, the course seeks to help students understand the mechanics of foreign exchange and the forces that drive the international financial marketplace, especially those in the Euro zone countries and the ongoing financial crisis in this global region. The course makes extensive use of the practical application of financial theories and the problem solving that such application requires.

### **COURSE OBJECTIVES**

1. Learn the theories of international business and how they are applied in running a multinational corporation.
2. Understand the operation of international financial asset markets and the role of market participants in these global markets, with special emphasis on European financial system.
3. Understand the determination of foreign exchange rates and the management of exchange rate risk
4. Learn to use major sources of information relating to international financial transactions as a basis for analyzing the risk/return characteristics of multinational firms
5. Analyze the impact of direct foreign investment by multi-national firms, how foreign trade is financed, and the resulting international diversification benefits
6. Understand the role that corporate social responsibility and ethics plays in international corporate finance.

### **REQUIRED TEXTBOOKS**

**AUTHOR: Jeff Madura**

**TITLE: International Financial Management**

**PUBLISHER: Southwestern**

**ISBN 13#: 978-0538482967**

**DATE/EDITION: 11<sup>th</sup> Edition (2011)**

**COST: \$145**

## TOPICAL OUTLINE OF COURSE

### **SESSION #:**

- [1] Course Overview  
Syllabus and Field Lab Report  
**Special Topics Discussion: Careers in Finance**
- [2] Chapter 1 (Multinational Financial Management)
- [3] Chapter 2 (International Flow of Funds)
- [4] Finish Discussion of Chapter 2
- [5] Chapter 3 (International Financial Markets)  
**Special Topics Discussion: The European Financial Crisis**
- [6] Finish discussion of Chapter 3 and Appendix 3 (Investing in International Financial Markets)
- [7] Chapter 4 (Exchange Rate Determination)
- [8] Finish Discussion of Chapter 4 and  
**Special Topics Discussion: Finding Financial Information on the Internet**
- [9] Chapter 5 (Currency Derivatives)
- [10] Finish Discussion of Chapter 5 and Review for Mid-Term Exam
- [11] **MID TERM EXAM:  
(CHAPTERS 1, 2, 3, 4, and 5 AND ANY ASSIGNED READINGS)**
- [12] Chapter 6 (Government Influence on Exchange Rates) and
- [13] Finish Discussion of Chapter 6 and  
Appendix 6 (Government Intervention During the Asian Crisis)
- [14] Chapter 7 (International Arbitrage and Interest Rate Parity)
- [15] Finish Discussion of Chapter 7 and  
**Video and Discussion: "Money Never Sleeps: Global Financial Markets"  
from [www.pbs.org](http://www.pbs.org)**

- [16] Chapter 8 (Relationships Among Inflation, Interest Rates, and Exchange Rates)
- [17] Finish Discussion on Chapter 8
- [18] Chapter 10 (Measuring Exposure to Exchange Rate Fluctuations)
- [19] Chapter 13 (Direct Foreign Investment)
- [20] Chapter 16 (Country Risk Analysis)
- [21] **[a] Team Presentations: Purchasing Power Parity reports, and  
[b] Special Topics Discussion: "Should a Multi-National Corporation  
Reduce Its Ethical Standards to Compete Internationally?"**
- [22] **Team Presentations (continued): Purchasing Power Parity reports, and  
Review for Final Exam**
- [23] **FINAL EXAM: (CHAPTERS 6, 7, 8, 10, 13, and 16, AND ANY READINGS)**

\*\*\* The individual chapters above are found in your text and the readings (when assigned) will be in the form of either class handouts or material found in *Wall Street Journal* or *Economist* articles.

\*\*\* There will also be occasional homework assignments related to specific review questions at the end of each of the chapters in the text where the students will summarize concepts and/or solve financial problems. These are non-graded assignments but will be discussed during our class time.

**METHODS OF EVALUATION**

**DETERMINATION OF FINAL GRADE:**

2 Exams at 100 points each	200
1 Field Lab Report	100
1 Team Presentation	50
Class Attendance and Participation	<u>100</u>
TOTAL POSSIBLE POINTS	450

**GRADING SCALE BASED ON TOTAL POINTS EARNED:**

- A: 405-450
- B: 360-404

C: 315-359  
D: 270-314  
F: <270

**GRADED COURSE COMPONENTS:**

**[1] EXAMS:**

There will be two, in-class, non-comprehensive exams (a Mid-Term and a Final) given during the semester which will consist of 50 multiple choice questions related to the solving of quantitative problems, course concepts and theories, and any assigned readings from the *Wall Street Journal* and the *Economist*. These exams will cover the lectures, all assigned chapters in the text, readings, and all class discussions of current topics. **NO MAKEUP EXAMS WILL BE GIVEN.** If a student misses an exam, the weight of the missed exam will be added to that of the final exam. Students missing an exam will take a modified final exam of the same length that includes material from that of the missed exam. **Any Student that intends to miss the mid-term exam must notify the instructor 24 hours prior to the day the exam is scheduled.**

For each exam, you will be allowed to bring on 4X6 index card containing only equations or formulae. Any person violating the card's content restrictions will receive a grade of zero for the exam.

**[2] REQUIRED FIELD LAB:** Piraeus, Greece  
July 17, 2013 (Last Day in Port) 9am-5pm

**“EXPLORING THE EUROPEAN FINANCIAL CRISIS and ITS IMPACT ON GREECE”**

This Field Lab will help participants gain insights into the current European Financial Crisis, how and why it happened, and what is being done now to fix it. We will visit the Museum of the Bank of Greece to learn about the history of banking and financial services in Greece. After that, we visit the nearby Greek office of the International Monetary Fund (IMF) to hear the Senior Representative of the IMF in Greece, Mr. Bob Traa explain the current and likely future Greek economic environment, and also explore the European Financial Crisis. If time permits, an afternoon session might include a visit to a local market or company to learn about how the crisis has impacted individual businessmen and women in Greece.

**Academic Objectives:**

1. Discuss the underlying causes of the Greek economic and financial crisis
2. Examine the role of Greece in the larger European financial crisis
3. Evaluate the steps prescribed by the IMF for correcting Greece's economic woes and report on their progress to date in resolving these conflicts

**Associated Assignments:**

Students will do preparatory research on the European Crisis and the recent performance

of the Greek economy before this Field Lab and will use that information to prepare questions and issues for discussion when we meet Mr. Traa. We will also discuss our observations from the field the next time the class meets. Students will be required to submit a written report (one week after our visit) that includes the results of their pre-port research, as well as what they learned from our discussion with the IMF representative and their in-port observations of the local business climate.

Specifically, the Field Lab for this course will require that you collect financial data relating to the current economic and financial environment in selected countries (see six countries below) we will visit on our voyage, including how these countries' economies are performing during the European financial crisis. Students will be required to turn in a brief written analysis (3-5 pages typewritten) that addresses each of the following:

[a] Provide data and information on the borrowing (interest) rates and economic activity of the Euro countries we visit on the voyage (Greece, Italy, France, Spain, and Portugal), then provide a brief analysis of how and why the interest rates of these five countries differed from Germany's borrowing rate as they have over the past few years. Compare Greece's economic performance over the past few years to that of the other five countries.

[b] Provide an analysis of the future of the Greek business and economic climate as well as the costs and benefits of them remaining in the European Union. You will want to use information obtained from our visit to the Bank of Greece, and our in-port discussions with IMF officials to aid in this analysis and to provide perspective.

[c] Provide an overall assessment of the future of the European Union from an economic standpoint based on your in-port observations, research, and discussions with IMF managers in Greece.

### **[3] TEAM PRESENTATION:**

#### **"EXPLORING PURCHASING POWER PARITY":**

Similar to the "Big Mac Index" article from *The Economist* (that we will discuss in class), you are to choose at least four (with at least one non-Euro country included) of the countries we visit on our voyage and collect information on that country's prices for one of the following items:

[1] The Quarter Pounder (McDonalds)

[2] Tall Latte (Starbucks)

[3] Ipod Nano (any retail store)

These prices must then be compared to the average price for that particular menu item if sold in the United States in order to determine if Purchasing Power Parity exists between each of the individual countries you choose and the U.S. This will require that you consult an online source (such as [www.tradingeconomics.com](http://www.tradingeconomics.com)) to obtain the **current** relative inflation

rates for the U.S. and each country that you choose. A presentation of your findings (with your team member) should include your numerical results (see Purchasing Power Parity equation in Chapter 8 of the Madura text), as well as a discussion of your results. That means that you will use your numerical results to determine if each of the foreign currencies would be predicted to either appreciate or depreciate against the U.S. Dollar in the future.

#### **[4] ATTENDANCE AND PARTICIPATION:**

Students are expected to read assigned chapters and readings BEFORE coming to class on the day that they are assigned so that they are prepared to discuss the material in class. You will also find that developing solutions to the "Questions and Applications" at the end of each chapter will help not only in your preparation for class, but also in your preparation for exams (the solutions to each of these are available on the course intranet site. If you find that you do not understand any of the material or need help, please feel free to make an appointment to meet with me or email me so that I can help you or answer any questions.

Class attendance and preparation for class is also expected. This makes your participation in class discussions easier and also makes for a more interesting class meeting. A grading rubric that I will use to assess your class participation will be distributed on the first day of class.

Attendance will be taken at each class meeting and your participation will be periodically noted. I will use your participation and attendance in awarding your Class Attendance and Participation points as noted above.

#### **[5] PROFESSIONAL BEHAVIOR:**

Professional behavior is expected at all times. During our class meetings, all cell phones, pagers, and electronic devices must be turned off or muted. Laptops may be used only for taking notes. Disruptive behaviors will not be tolerated and include excessive talking, sending or receiving phone text messages in class, and continuously arriving late/leaving early.

### **RESERVE LIBRARY LIST**

[1] *The End of the Euro: The Uneasy Future of the European Union* (2011), by Johan van Overtveldt

[2] *After the Fall: The End of the European Dream and the Decline of a Continent* (2011), by Walter Laqueur

### **ELECTRONIC COURSE MATERIALS**

ARTICLES TO BE DETERMINED AS RELEVANT AND TIMELY AT THE TIME OF THE VOYAGE:  
Prefer Library to have subscribed to the *Wall Street Journal* and the *Economist*.

## **ADDITIONAL RESOURCES**

[1] DVD Video: “**Money Never Sleeps: Global Financial Markets**” from **[www.pbs.org](http://www.pbs.org)**