

SEMESTER AT SEA COURSE SYLLABUS

Discipline: Commerce
Semester and Year: Fall 2013
SEMS 3500-106: International Financial Management
Division: Upper
Faculty Name: Richard Castaldi, Ph.D.

PREREQUISITES

Corporate Finance (or similar upper division introductory finance course)

COURSE DESCRIPTION

This upper division seminar will introduce business students to the fundamentals of international finance. Topics to be covered include an introduction to the global financial environment, foreign exchange theory and markets, foreign exchange rate exposure, financing the global firm, and international investment decisions. Emphasis will be placed on current challenges and opportunities involving international finance with particular focus on the regions we visit during the voyage. The required text will provide a framework for lectures, class discussions, case analyses and experiential exercises.

COURSE OBJECTIVES

The objectives of this course are to: (1) introduce students to a framework of analysis that will facilitate the examination of the international finance issues that arise when conducting business in today's global marketplace, (2) provide an understanding of the key features of foreign exchange markets and the actual problems that arise within an environment of free flows of foreign capital and floating exchange rates, and (3) develop conceptual, technical, analytical and decision making abilities regarding issues in international finance.

REQUIRED TEXTBOOK

AUTHORS: Moffett, M. H., Stonehill, A.I. & D.K. Eiteman
TITLE: Fundamentals of Multinational Finance (4th Edition)
PUBLISHER: Prentice Hall
ISBN #: 978-0-13-213807-9
PUBLICATION DATE: 2012

<u>SESSION</u>	<u>TOPICS AND REPONSIBLITIES</u>
1 & 2	Current Multinational Challenges and the Global Economy * Prepare chapter 1;
3 & 4	Financial Goals and Corporate Governance * Prepare chapter 2;
5 & 6	The International Monetary System * Prepare chapter 3; Mini-case: Globalization of the Yuan
7 & 8	The Balance of Payments * Prepare chapter 4; Mini-case: Global Remittances
9 & 10	The Foreign Exchange Market * Prepare chapter 6;
11	Midterm Examination (chapters 1, 2, 3, 4, 6)
12 & 13	Foreign Exchange Rate Determination and Forecasting * Prepare chapter 9; Mini-case: The Japanese Yen Intervention of 2010
14 & 15	Operating Exposure to Foreign Exchange * Prepare chapter 11; Mini-case: Toyota's European Operating Exposure
16 & 17	The Global Cost and Availability of Capital * Prepare chapter 12;
18 & 19	Sourcing Equity and Debt Globally * Prepare chapter 13; Mini-case: Petrobras of Brazil and Cost of Capital
20 & 21	Foreign Direct Investment and Political Risk * Prepare chap 15; Mini-case: Corporate Competition From Emerging Mkts
22, 23, 24	Field Work Presentations & Class Discussions * Field Work project written report due class 22
25	Final Examination (chapters 9, 11, 12, 13, 15)

FIELD WORK

Twenty-five percent of your grade in this course is based on participation in the required field lab in Brazil, the completion of associated field assignments and the quality of your final written report and oral presentation. The field of international financial management is broad and can be viewed and analyzed from multiple perspectives. For this project, you will conduct two levels of analysis of international finance concepts and theories presented in the text and discussed in class. One section of your report will be a firm-level (micro) analysis of international finance concepts that include the two multinational firms we visit in Rio. You may include analysis of other large multinational firms in this section of your project. The second section will be country-level (macro) analysis of international finance concepts that will include primary and secondary research on seven of the 14 countries that we visit. This semester-long project will be completed by groups of three students and will culminate in a final written report and formal class presentation. More details are presented below.

FIELD LAB

“Petroleum and Mining: The Importance of Commodities for the Brazilian Economy”

Description of program:

The field lab portion of the course will focus on international expansion strategies and financial management practices in two Brazilian firms we will visit in Rio on the first day we arrive:

1. VALE – www.vale.com.br/. Vale is the second biggest mining company in the world and the largest private company in Latin America. Headquartered in Brazil and operating in 38 countries, Vale now employs over 138,000 people, including employees and contractors. Vale is the global leader in iron ore and the second biggest nickel producer. They also produce copper, coal, manganese, ferroalloys, fertilizers, cobalt and platinum group metals. In addition, they also operate in the logistics, steel, energy and fertilizers sectors. During this visit, an executive from Vale will share with students some of the challenges and opportunities Vale faces when expanding internationally. They will also discuss aspects of the financial management of a large global firm.
2. PETROBRAS – www.petrobras.com.br/en/. Petrobras is Brazil’s state owned petroleum company. It performs as an energy company in the following sectors: exploration and production, refining, oil and natural gas trade and transportation, petrochemicals, and derivatives, electric energy, biofuel and other renewable energy source distribution. A leader in the Brazilian oil industry, Petrobras has expanded its operations aiming to be among the top five integrated energy companies in the world by 2020. It has a presence in 28 countries and the 2011-2015 business plan foresees financial investments in the order of \$224.7 billion. This visit will focus on the discovery of the new oil fields in the Atlantic Ocean that will place Brazil among the major exporters of oil in the world. Students will also have the opportunity to learn about the implications of this discovery on strategic energy alliances in the South America and worldwide.

Our site visit to these two large Brazilian multinational firms, as well as related secondary research will provide a basis for firm-level analysis of international finance concepts such as 1) setting financial management goals and firm strategy; 2) operating exposure to exchange rates; 3) cost and availability of global capital; 4) sourcing debt and equity globally and 5) foreign direct investment risk. Analysis of other large multinational firms can also be included in this section of your project. Text chapters 2, 11, 12, 13, and 15 will provide a detailed framework for conducting your firm-level analysis of these international finance concepts.

FIELD ASSIGNMENTS

Each group will prepare a country-level analysis of international finance topics such as 1) the theory of comparative advantage; 2) the international monetary system; 3) the balance of payments; 4) the foreign exchange market and 5) foreign exchange rate determination. Text chapters 1, 3, 4, 6 and 9 will provide a detailed framework for conducting this analysis.

Among the 14 countries we visit, your analysis will include Russia, Germany, Africa and Brazil, along with three other countries of your choice for this section of your project. Your research will include reviewing and analyzing macro economic data for each selected country, as well as observations made during your visit. These observations can be made during many of the tours you take, as well as talking with small business people such as money exchangers, tourist vendors and consumer retailers while traveling in the country.

Academic Objectives:

1. To apply concepts and theories covered in our International Finance course to strategic and financial management practices of two successful global firms in the commodities sector.
2. To gain insights from successful top managers in two large multinational firms regarding their perspectives on financial management issues that currently face their firm.
3. To analyze international finance concepts from a macro perspective based on observations and secondary data collected in seven emerging, developing and developed countries.
4. To produce a final written report and formal class presentation based on analysis and insights gained from the field lab, as well as associated field assignments.

METHODS OF EVALUATION

Three methods of evaluations will be used to grade your performance in the course:

1. Chapters and mini-cases from the textbook should be prepared prior to the class for which they are assigned. Text material will be reviewed in class by lecture and class discussions where students will be called upon to discuss the material and mini-cases assigned. In other words, the text material studied will not simply be rehashed in class and you will be expected to provide your insights and ideas regarding the textbook material. Due to its importance, class participation contributes 25% to the final grade and performance will be based on your degree of preparedness and consistency of quality contributions to discussions. Attendance and punctuality will also be included in this component.
2. Midterm and final exams will include multiple choice and short answer essay questions and each exam contributes 25% to the final grade.
3. A final written report and class presentation based on your analysis of the field lab and associated field assignments contributes 25% to the final grade. Each student will confidentially evaluate the performance of the other two members of their group at the end of the project.

	<u>Weight</u>	<u>Points</u>
1) Individual class participation	25%	100
2) Midterm and final exams	50%	200
3) Field lab project	25%	<u>100</u>
Total Points		400

Final Grade: A = 360-400 points
 B = 320-359 points
 C = 280-319 points
 D = 240-279 points
 F = lower than 240
(The +/- system will be used)

HONOR CODE

Semester at Sea students enroll in an academic program administered by the University of Virginia, and thus bind themselves to the University's honor code. The code prohibits all acts of lying, cheating, and stealing. Please consult the Voyager's Handbook for further explanation of what constitutes an honor offense.

Each written assignment for this course must be pledged by the student as follows: "On my honor as a student, I pledge that I have neither given nor received aid on this assignment." The pledge must be signed, or, in the case of an electronic file, signed "[signed]."