

Mercer University – Stetson School of Business and Economics
Fall I 2015 BBA Atlanta
FIN 444.A12 International Economics and Finance

Professor: *Nik Volkov, Ph.D.*

Office Hours: *Tues 4- 6PM, Thur 10-12PM and by appointment*

Email: volkov_n@mercer.edu

Office Tel: 678-547-6328

Office Location: BE 256

Office Fax: 678-547-6337

SSBE Mission Statement: Stetson School of Business and Economics of Mercer University delivers career focused business education to develop entrepreneurial leaders and responsible global citizens.

Course Description: This course provides the student with an introduction to financial analysis in the international context by focusing on those areas of decision-making unique to the firm operating in the global economy. The topics of interest in International Financial Management include the following: The global environment for the multinational business; foreign exchange markets; international financial markets and portfolio considerations; direct foreign investment and multinational capital budgeting; and the mechanics of exposure management and exchange rate forecasting.

Catalog Description: The study of foreign exchange, international money markets and institutions, balance of payments problems, capital movements, foreign investment problems, and objectives of international monetary policy. Credit for this course precludes also earning credit for either FIN 451 (International Finance) or ECN 441 (International Economics).

Prerequisites: ECN 150, 151, FIN 362 and junior status (or permission of instructor).

Textbook and Other Materials:

Jeff Madura, *International Financial Management*, Abridged, 12th Edition,
ISBN-13: 9781305117228

Students are required to read the textbook chapters before class lectures, as well as regularly read the *Financial Times* or the *Wall Street Journal*. Reading the *Economist* is highly recommended.

A financial calculator is required. I assume you have access to a computer with Excel and Word.

Course Learning Objectives

1. Analyze the methods used by firms to pursue international business, and the risks associated with each method.
2. Identify the factors that affect exchange rate movements, and how the factors are integrated in their influence on exchange rate movements.

3. Compare various types of foreign exchange rate systems, and recognize the tradeoffs involved in each system.
4. Analyze the implications of the euro, as related to monetary policy, fiscal policy, European economic integration, effects on the use of debt markets and equity markets, and government intervention.
5. Analyze the growing conflict between serving shareholders of multinational corporations (MNCs) versus other stakeholders.
6. Compare the various forms of corporate governance that are being used by MNCs.
7. Identify factors that may cause international financial management to vary among countries.
8. Apply parity conditions to the foreign exchange market.
9. Use information to forecast exchange rates.
10. Measure an MNC's exposure to exchange rate risk and suggest how this risk can be managed.
11. Recognize motives for direct foreign investment by firms, and when those motives are most applicable.
12. Conduct multinational capital budgeting to assess direct foreign investment decisions by MNCs.
13. Compare the forms of country risk that affect a firm's international business, and estimate a proposed project's net present value in response to possible country risk conditions.
14. Estimate the cost of capital, decide the optimal capital structure of an MNC, and estimate the net present value of a proposed project based on capital structure and cash flow information.

Grading and Course Evaluation Method

Your course grade will be comprised of three exams, assignments, in-class participation, and a report. The assignments may involve information/data collection and analysis, case preparation and presentation, and discussion of relevant economic news. The grading is as follows:

Exam 1	25%
Exam 2	35
Quizzes	15
Project	25
Total	100

Exam 1 will be administered through Blackboard. You can take it at any time during the second part of the third week of class and before the start of class on 09/08. You will have 2 (two) hours to complete the exam.

Exam 2 will be administered in class during the last class period. It will include material covered throughout the semester with more emphasis on the post-Exam 1 material. We will do a brief material review before the Exam on 10/06.

Quizzes will be administered in the beginning of every class and will cover the material that we will be covering during the current class session. Since we only have 8 weeks of class, you must read ahead and come to class prepared. The quizzes will only cover the main concepts that we will be going over in class. Refer to the Course Reading & Learning schedule section of the

syllabus for more detail. I expect you to spend at least one and a half (1.5) hours a week going over the chapters before class.

Project will be due at the end of the last class period. You must submit a hard copy of the project to me on the day of the final exam (10/06). The description of the project is provided in the appendix to this syllabus. You must provide me with your initial idea written out in several paragraphs during the second week of class. You will present your project (10 minutes) and discuss (5 minutes) one of your classmate's projects during the second to last class period. We will discuss the project during the first class period.

Practice problems will be assigned (but not graded) as a preparation for the in-class exams. Refer to the Course Reading & Learning schedule section of the syllabus for more detail. I expect you to spend at least three (3) hours a week going over the practice problems. You can e-mail me at any time with questions and I will respond within 12 hours of your email.

Grade Scale

Course Average	Grade
90 or higher	A
87-89	B+
80-86	B
77-79	C+
70-76	C
60-69	D
59 or lower	F

Additional course policies:

Missing Exams and Late Assignments

Unacceptable unless prior instructor approval is given. If there is any reason you cannot take the exam contact me before the event to discuss alternatives. Absence or late submission will result in no points and no opportunity to make points up. There is absolutely no forgiveness for late homework.

Attendance Policy

There will be an in-class quiz at the beginning of each class except for the day of Exam 2 from 6:00-6:20PM (at the latest). If you are late and you miss the quiz, there will be no make-up, so you have to be in class at noon.

Mercer University Honor Code and Council

(See Mercer catalog for more detailed information)

Honor Code Mercer University Atlanta expects each and every student to maintain the highest principles of academic honesty and integrity. Violations of academic honesty represent a breach of the University's expectations and will be regarded as a serious matter. Violations include, but are not limited to, the following:

- Plagiarism - The use of ideas, facts, phrases, or additional information such as charts or maps, from any sources, without giving proper credit to the original author. Using direct quotations, paraphrases, or reproductions of any material which is not of the student's own authorship is also considered plagiarism. Failure to reference any such material used is both ethically and legally improper.

Disability Support

Services: Disability Syllabus Statement for Atlanta, Douglas, Henry and Newnan

Students requiring accommodations or modifications for a disability should inform the instructor at the close of the first class meeting or as soon as possible. The instructor will refer you to the ACCESS and Accommodation Office to document your disability, determine eligibility for accommodations under the ADA/Section 504 and to request a Faculty Accommodation Form. Disability accommodations or status will not be indicated on academic transcripts. In order to receive accommodations in a class, students with sensory, learning, psychological, physical or medical disabilities must provide their instructor with a Faculty Accommodation Form to sign. Students must return the signed form to the ACCESS Coordinator. **A new form must be requested each semester.** Students with a history of a disability perceived as having a disability or with a current disability who do not wish to use academic accommodations are also strongly encouraged to register with the ACCESS and Accommodation Office and request a Faculty Accommodation Form each semester. For further information, please contact Richard Stilley (stilley_r@mercero.edu), at (678) 547-6823 or visit the ACCESS and Accommodation Office website at <http://atlstuaffairs.mercero.edu/disability-services.cfm>

Inclement Weather:

Inclement Weather: If severe weather occurs, classes will be canceled in accordance with the Associate Provost's decision of Mercer-Atlanta. Call the Mercer weather phone for information about class cancellations—(678) 547-6111 (Atlanta) or listen to WSB 750 AM.

COURSE READING & LEARNING SCHEDULE

(This may change, so make sure you download the new syllabus as it becomes available)

Session	Date	Topic	Chapter	Practice Problems	Notes	Contact minutes
1	08/18	International finance (introduction); International flow of funds; International financial markets	1, 2, 3	Ch 1: 1,2,3,6,8,9,13,14,15 Ch 2: 1,2,4,6,7,9 Ch 3: 1,3,4,6,8,10,11,18	We'll go over syllabus in the beginning	4.5
2	08/25	Exchange rate determination; Currency derivatives; Government influence on exchange rates	4, 5 (brief), 6	Ch 4: 1,2,3,6,8,12,14,15 Ch 5: 1,2,3,5,6,8,9 Ch 6: 1,2,3,4,5,6,8,9,11	Quiz 1 Project idea due (max 1 page)	4.5
3	09/01	International arbitrage and interest rate parity; Inflation, interest rates, and exchange rates	7, 8	Ch 7: 1,2,3,4,5,6,9,10,12,13 Ch 8: 1,5,6,7,8,10,11,15,18	Quiz 2	4.5
4	09/08	Forecasting exchange rates; measuring exposure to exchange rate fluctuations;	9, 10	Ch 9: 1,7,8,10,11,13,16 Ch 10: 2,4,5,7,10,2,16,17	Quiz 3, Exam 1 due before class	6.5
5	09/15	Hedging transaction and economic exposure to exchange rates	11, 12	Ch 11: 2,3,10,11,12,16,17,18 Ch 12: 1,2,5,6,7,9,11,12	Quiz 4	4.5
6	09/15	Long-term asset and liability management; multinational capital budgeting; corporate governance and control; country risk analysis;	13, 14, 15, 16	Ch 13: 1,2,10,14 Ch 14: 1,2,6,12,14, 17, 20 Ch 15: 1,4,5,7,8,9,10 Ch 16: 1,3,7,9,10,12	Quiz 5 Send the draft of your project to your discussant by 09/18	4.5
7	09/22	Capital structure and cost of capital Presentations and discussion	17	Ch 17: 1,2,4,7,11,12,14,16	Quiz 6	4.5
8	10/06	Final review of material Final Exam	Review all chapters covered in class	Review all practice problems and the problems and concepts we covered in class	Assignment due, we will review some material before Exam 2	4.5

APPENDIX: PROJECT INSTRUCTIONS

The assignment is due at the end of the semester (10/06) and it is worth 20 percent of your final grade. Detailed instructions/guidelines follow.

COUNTRY RISK REPORT

Prepare a risk analysis of a country of your choice (excluding developed countries such as the U.S.A., Canada, the U.K., the euro-area countries, etc.; however, you may choose to analyze Japan or Greece in the context of the ongoing crisis and the implications of various scenarios of it's resolution).

Here are some general guidelines:

- Look at recent Wall Street Journal, Financial Times, or The Economist articles for current events that have put the country in the news and discuss what the current climate is for multinational investment.
- Read (and follow) chapter 16 of the textbook,
- Visit the library's website and check out the following sources: Country Commerce, Country Watch, Business Source Premier, plus the several World Bank-related sites available through the library.
- Other useful sources of information are: International Monetary Fund, OECD, <http://europa.eu/>, the sites of the country's central bank, Professor Harvey's website at Duke University (<http://www.duke.edu/~charvey/>)
- Include in your country reports the latest information on macroeconomic variables (present and projected): for example, type of economy (capitalistic, socialistic), short and long-term interest rates, last three years' inflation rates, GDP, unemployment rates, etc.
- Describe the type of currency regime (pegged, floating), recent pattern of exchange rate changes (a chart of the last year from an internet source would be helpful), whether there are futures or forwards available on the currency. Also, discuss the importance of foreign capital flows for the country.
- Sovereign debt (and its rating, past and present) is usually important.
- Government facts are valuable: form of government, party in power, chief rivals, economic philosophy, and current issues.
- Demographic information is important: for example, religious backgrounds, general education level, average age, population, social benefits.
- It is said that there are four major factors that attract foreign direct investment:
 - o Stable property rights
 - o Peaceful industry-labor relations
 - o Political stability
 - o Cost advantages in wages, taxes, and infrastructure
- The report must not be a laundry list of purposeless numbers. Make sure to explain why it is that you mention any statistics. What are you trying to illustrate? What conclusions do you reach?

The report should be about 10 pages (double-spaced, 12 letter font) of well thought-out text plus as many relevant tables and graphs as you consider appropriate. Feel free to mention others' opinions (presumably experts on the matter) but do not forget to cite references. You can work individually or in a group of two. Your grade on the assignment will be determined by:

- 1) content and intellectual quality;
- 2) presentation (e.g., structure, clarity, grammar, and spelling), and
- 3) the difficulty of analyzing (and finding information on) the country.