

International Finance

[FINC-250]

Summer 2006

Instructor: Professor Ludwig Chincarini, CFA, Ph.D.

Phone: 703-848-1858

Email: chincarini@hotmail.com [preferred email]

Office Hours: Library on the 2nd floor in front of the café. (Tues & Thurs. 1:00-3:00 PM).

Class Hours & Location: MTWTH 10:00-12:00 AM

Room: Healy 105

Prerequisites: FINC-211.

Course Description: The course is intended to provide an understanding of financial management in a global context. The course is divided into three main sections. The first section describes the international environment, including understanding the importance of economics, exchange rates, and politics in effecting global financial management. The second part of the course involves understanding the tools available to conduct financial management in a global context, including futures contracts, options, and hedging techniques. The third part of the course involves examining realistic situations that international firms face and how they can manage these various risks given the tools and knowledge of the international environment.

Course Objective: To be familiar with issues and risks faced by global firms and to understand how to use available financial market instruments to manage these risks appropriately. Students should also gain an in-depth understanding of the economics of exchange rates and theories of exchange rate behavior. Students should also be able to intuitively understand columns in the newspaper and other world events that effect exchange rates.

Required Text: Butler, Kirt C., *Multinational Finance*, Third Edition, (Thomson South-Western), 2004. [Order book on Amazon or other online source ASAP.]

Reader: A compilation of articles relevant to the course will be provided on the blackboard class site in *.pdf files.

Handouts: Depending on current news topics, handouts relevant to the material will be distributed to students throughout the semester. It will be the students' responsibility to obtain any missed handouts due to absence at a particular class.

A Note on Academic Honesty: Cheating is against the honor code of Georgetown University. Thus, projects, exams, quizzes, and homework should be done with complete integrity. If a case of cheating is detected, it will be handled by the Dean. Any act of plagiarism is a serious break of academic standards and a deliberate case can lead to suspension or expulsion. Any quotation from another source, whether written or spoken, must be bound by quotation marks and footnoted. Paraphrases must be footnoted as well. Generally, cite the use of words or work by others.

Students agree that by taking this course, papers may be submitted to Turnitin.com for the detection of plagiarism.

Other Reading:

1. The Wall St. Journal [sign-up sheet to be passed around first few classes]
2. Barrons

Other Non-Required Books:

1. Homaifar, Ghassem A. *Managing Global Financial and Foreign Exchange Rate Risk*, Fifth edition, (New Jersey: Wiley-Finance), 2004. [Good book with many applications of international financial management.]
2. Madura, Jeff. *International Financial Management*.

Industry Licenses:

Some of you may wish to enroll in the CFA program (www.aimr.org) or in the MTA program (www.mta.org). The first program is the Chartered Financial Analyst pedigree, while the second is a Chartered Market Technician's pedigree. These are credentials that are increasingly being attained by people in the financial industry. A lot of the material in this course will be on the CFA exam.

Course Requirements and Grading:

Class Participation:	10 %
Mid-Term:	35 %
Final Exam:	50 %
Assignments:	5 %

Note: Class participation consists of attendance, making comments, answering questions, and or posing questions during class. I may randomly call on people. Please come to class on time for consideration of your professor and fellow students. The **Mid-Term** will cover all material covered up to that point in the semester. The **Final Exam** will cover material for the second-part of the course. **Assignments** will be given so that students can practice answering questions over the material studied and will be used primarily to determine border-line cases. Students are encouraged to pay attention to **financial news** as some questions may be linked to current financial market events.

Organization and Course Outline¹

Session 1: July 10, 2006²

- 1. Intro to course**
- 2. Overview of the Course**
- 3. The MultiNational Firm**
Reading: Chapters 1. Butler.³
- 4. World Trade and the International Monetary System**
Reading: Chapter 2. Butler.

Session 2: July 11, 2006

- 5. International Financial Markets**
Reading: Chapter 3. Butler.
- 6. Foreign Exchange Markets**
Reading: Chapter 4, Butler.

Sessions 3: July 12, 2006

- 7. Theories of Exchange Rates**
Reading: Chapter 5, Butler.
Handouts

¹ This may change as we progress through the semester, but in that case, a new outline will be handed out.

² In all cases, dates are the most probable, but again this could change as the semester evolves.

³ Butler refers to the required textbook.

Sessions 4: July 13, 2006

- 8. Currency Futures**
Reading: Chapter 6, Butler

Sessions 5: July 17, 2006

- 9. Currency Options and Swaps**
Reading: Chapter 7 & 8, Butler.

Session 6: July 18, 2006

- 10. Techniques in Hedging Currency Risk**
Reading: Chapter 9, Butler.

Session 7: July 19, 2006

- 11. Multinational Treasury Management**
Reading: Chapter 10, Butler.
- 12. Managing Transaction Exposure**
Reading: Chapter 11, Butler.

Session 8: July 20, 2006

- 13. Managing Operating Exposure**
Reading: Chapter 12, Butler.
- 14. Managing Translation Exposure**
Reading: Chapter 13, Butler.

Session 9: July 24, 2006

15. Midterm Exam

Session 10: July 25, 2006

16. Country Risk Management

Reading: Chapter 12, Butler.

Session 11: July 26, 2006

17. Cross-Border Capital Budgeting

Reading: Chapter 15, Butler

Session 12: July 27, 2006

18. Multinational Capital Structure

Reading: Chapter 16. Butler.

Session 13: July 31, 2006

19. Taxes and Multinational Strategy

Reading: Chapter 17, Butler.

Session 14: August 1, 2006

20. Real Options and Cross-Border Investment

Reading: Chapter 18. Butler.

Session 15 & 16: August 2 & August 3, 2006

21. Practical Applications of Concepts

Reading: TBA

Session 17 & 18: August 7 & August 8 & August 9, 2006

22. Practical Application of Concepts

Reading: TBA

23. Review for Final

Session 19: August 10, 2006

24. Final Exam