

**Commerce 3FC3
International Finance
Winter 2020 Course Outline**

**Finance and Business Economics
DeGroot School of Business
McMaster University**

COURSE OBJECTIVE

The goal of this course is to examine the challenges and opportunities encountered by finance managers of multinational corporations in making financing and investment decisions with a global perspective. It also involves the understanding of the macroeconomic environment governing international business.

INSTRUCTOR AND CONTACT INFORMATION

Section C01: Tue 08:30 am – 11:20 am (CNH 102)
Section C02: Wed 11:30 am – 02:20 pm (PGC Mez#M24)
Section C03: Fri 11:30 am – 02:20 pm (PGC Mez#M24)

Instructor: **Waquar Ahmad**
Email: ahmadw9@mcmaster.ca; Office: DSB 311; Office hours: TBA in class

Student TA: **Zijun Ding**
Email: dingz11@mcmaster.ca;
Office hours: Thu 9:30 am – 11:30 am (TSH 603)
Tutorial class: Tues 2:30 pm – 3:20 pm (KTH B132)

Course website: <http://avenue.mcmaster.ca>

COURSE ELEMENTS

Credit Value: 3	Leadership: Yes	IT skills: No	Global view: Yes
Avenue: Yes	Ethics: No	Numeracy: Yes	Written skills: Yes
Participation: No	Innovation: Yes	Group work: Yes	Oral skills: Yes
Evidence-based: Yes	Experiential: No	Final Exam: Yes	Guest speaker(s): No

COURSE DESCRIPTION

Central to the understanding of international financial management is the concept of exchange rate risks. We will study the economics underlying the determination of exchange rates and their parity relationships. We will discuss the foreign exchange markets and the tools that can be used to hedge exchange rate risks such as options, futures, and swaps contracts. We will also talk about how the transaction, translation and operating foreign exchange exposures can be effectively managed. We will also examine the financing options available to multinational financial manager and how the cost of capital can be determined in an international setting.

This course is taught primarily through lectures, readings, in-class discussions, and assignments.

LEARNING OUTCOMES

Upon completion of this course, students will be able to complete the following key tasks:

- Appreciate the financial challenges and opportunities encountered by multinational corporations;
- Understand the economic determinants of foreign exchange rate and the role of the central bank in the foreign exchange and money markets;
- Recognize the relations among interest rate, inflation rate, and foreign exchange rate in the spot and futures markets;
- Measure and manage transaction, translation and operating foreign exchange exposures;
- Understand the economics and decision factors in international financing and investments.

REQUIRED COURSE MATERIALS AND READINGS

Fundamentals of Multinational Finance, 6th edition, by Moffett, Stonehill, Eiteman, Pearson, 2018 (available from the McMaster bookstore) with MyLab. One case from HBS website.

Further reading materials may be suggested by the instructor during the lectures. Slides and other teaching materials can be downloaded from Avenue to Learn. Students are encouraged to keep themselves up-to-date with current issues in international finance, as they may be discussed in class when appropriate. Students are also advised to practice on selected end-of-chapter questions and problems suggested by the instructor.

EVALUATION

The components of the course grade will be weighted as follows. The instructor reserves the right to modify the weightings to adjust for more or less material covered during the semester. Although there is no mark for class participation, your questions and/or comments are encouraged and appreciated.

Components and Weights

Home work Assignments (2)	Numerical and essays (individual)	10*2 = 20%
Mid-Term Exams (2)	MCQ and word problems (individual)	20*2 = 40%
Case analysis	Group	10%
Final Exam	MCQs only (individual)	30%
Total		100%

NOTE: The use of a McMaster standard calculator is allowed during examinations in this course. See McMaster calculator policy at the following URL:

www.mcmaster.ca/policy/Students-AcademicStudies/UndergraduateExaminationsPolicy.pdf

Course Deliverables

HW Assignment(s): There will be two home work assignments during the semester. Students will complete the home work assignments **individually**. These assignments will have specific opening dates and deadlines. The course outline contains these dates and times.

Time extensions are not granted for the home work assignments.

Case Analysis: The details on Case Analysis requirements will be shared during class week 7/8. Students will work in **groups of 5** on the case. The report must be short, that is, less than *ten* double-spaced typed pages with at most *five* one-page exhibits, concise, and to the point. You may use font size 10 for the exhibits.

Case report II must be submitted to Dropbox on the course website on Avenue. Late submission will not be accepted for marking, i.e., a grade of ZERO will be assigned accordingly. **The deadline for submission of case report I is 12th April, Sunday 11:59 pm.**

Midterm Test(s): The two midterm tests have a duration of 90 minutes each. The tests will take place on February 12th (midterm test I) and March 18th (midterm test II). The tests will have two components – multiple-choice questions and short numerical problems. The multiple-choice questions will need to be answered on mark-sense answer sheets. The short numerical questions will need to be answered with pens and within the designated space in the exam booklet. Students will be allowed to bring a **help sheet**

in the midterm tests. *The help sheet must be one 8.5"x11"; **one-sided** and may be hand written or typed with any notes.*

Final Exam: The exam will take place during the finals week. It is **cumulative** as it will test students on **ALL** materials covered in the course. The duration of the final exam is 150 minutes. The final exam will comprise of multiple-choice questions only. Students will be allowed to bring a **help sheet** in the final exam. *The help sheet must be one 8.5"x11"; **two-sided** and may be hand written or typed with any notes.*

All the tests and exams are closed-book assessments. The material tested on of these assessments will include the material covered in class as well as the suggested end of chapter problems and home work assignments.

Communication and Feedback

Students who wish to correspond with instructors or TAs directly via email must send messages that originate from their official McMaster University email account. This protects the confidentiality and sensitivity of information as well as confirms the identity of the student. Emails regarding course issues should NOT be sent to the Area Administrative Assistants. Students will receive evaluation feedback for 30% of the final grade prior to Week #9 in the term.

ACADEMIC INTEGRITY

Students are expected to exhibit honesty and use ethical behavior in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity.

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behavior can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: "Grade of F assigned for academic dishonesty"), and/or suspension or expulsion from the university.

It is your responsibility to understand what constitutes academic dishonesty. For information on the various types of academic dishonesty please refer to the *Academic Integrity Policy*, located at:

www.mcmaster.ca/academicintegrity

The following illustrates only three forms of academic dishonesty:

1. Plagiarism, e.g. the submission of work that is not one's own or for which other credit has been obtained.
2. Improper collaboration in group work.
3. Copying or using unauthorized aids in tests and examinations

ONLINE COURSE COMPONENTS

In this course we will be using emails, Avenue to Learn and MyLab, the learning software offered by the publisher of the textbook. Students should be aware that when they access the electronic components of this course, private information such as first and last names, user names for the McMaster e-mail accounts, and program affiliation may become apparent to all other students in the same course. The available information is dependent on the technology used. Continuation in this course will be deemed consent to this disclosure. If you have any questions or concerns about such disclosure, please discuss this with the course instructor.

The case for the group case analysis will have to be accessed from the HBR website for a fee.

You will contact the TA of the course for all academic and administrative purposes. The TA is your primary contact point.

REQUESTING RELIEF FOR MISSED ACADEMIC WORK

Students may request relief from a regularly scheduled midterm, test, assignment or other course components. Please refer to the policy and procedure on the DeGroote website at the link below;

<http://ug.degroote.mcmaster.ca/forms-and-resources/misled-course-work-policy/>

Student learning in undergraduate courses should be assessed on more than one occasion. No single academic obligation (e.g., essay, test, examination, etc.) should have a value of more than 75% of the final grade without approval from the Department Chair or Associate Dean's Office. The two midterm tests in this course are each worth 20% of total grade. **If a student needs to submit a request for missed coursework for both tests during the semester, s/he will have to communicate with the instructor so that an alternate arrangement can be made.** The final exam marks will be reweighted in case of approved missed tests. **Misled tests will not be eligible for 'curve' used for the test, if any.**

STUDENT ACCESSIBILITY SERVICES

Students who require academic accommodation must contact Student Accessibility Services (SAS) to make arrangements with a Program Coordinator. Academic accommodations must be arranged for each term of study. Student Accessibility Services can be contacted by phone 905-525-9140 ext. 28652 or e-mail sas@mcmaster.ca.

For further information, consult McMaster University's Policy for Academic Accommodation of Students with Disabilities:

<http://www.mcmaster.ca/policy/Students-AcademicStudies/AcademicAccommodation-StudentsWithDisabilities.pdf>

ACADEMIC ACCOMMODATION FOR RELIGIOUS, INDIGENOUS OR SPIRITUAL OBSERVANCES (RISO)

Students requiring academic accommodation based on religious, indigenous or spiritual observances should follow the procedures set out in the RISO policy. Students requiring a RISO accommodation should submit their request, including the dates/times needing to be accommodated and the courses which will be impacted, to their Faculty Office normally within 10 days of the beginning of term or to the Registrar's Office prior to their examinations. Students should also contact their instructors as soon as possible to make alternative arrangements for classes, assignments, and tests.

<https://multifaith.mcmaster.ca/riso>

POTENTIAL MODIFICATION TO THE COURSE

The instructor reserves the right to modify elements of the course during the term. There may be changes to the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to check their McMaster email and course websites weekly during the term and to note any changes.

ACKNOWLEDGEMENT OF COURSE POLICIES

Your enrolment in Commerce 3FC3 will be considered to be an implicit acknowledgement of the course policies outlined above, or of any other that may be announced during lecture and/or on A2L. **It is your responsibility to read this course outline, to familiarize yourself with the course policies and to act accordingly.**

Lack of awareness of the course policies **cannot be invoked** at any point during this course for failure to meet them. It is your responsibility to ask for clarification on any policies that you do not understand.

COURSE SCHEDULE

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Week	Week starting	Topics to be covered	Textbook chapter
1	Jan-06	Multinational Financial Management	1
		International Monetary System	2
2	Jan-13	The Foreign Exchange Market	5
3	Jan-20	International Parity conditions	6
OPEN	JAN-24	ASSIGNMENT #1	08:00 PM
4	Jan-27	The Balance of Payments	3
		Foreign Exchange Rate Determination & Intervention	9
DUE	FEB-02	ASSIGNMENT #1	11:59 PM
5	Feb-03	Foreign Currency Derivatives: Futures and Options	7
6	Feb-10	No class	
	Feb-12	MIDTERM TEST #1 (11:30 – 13:00)	1-3, 5, 6, 9
7	Feb-17	No class – Midterm recess	
8	Feb-24	Interest Rate Risk and Swaps	8
9	Mar-02	Transaction Exposure	10
10	Mar-09	Translation Exposure	11
11	Mar-16	No class	
	Mar-18	MIDTERM TEST #2 (11:30 – 13:00)	7, 8, 10, 11
OPEN	MAR-22	ASSIGNMENT #2	08:00 PM
12	Mar-23	Operating Exposure	12
13	Mar-30	Global cost and availability of capital	13
		Funding the multinational firm	14
DUE	APR -01	ASSIGNMENT #2	11:59 PM
DUE	APR -12	GROUP CASE REPORT	11:59 PM
EXAM WEEK		FINAL EXAM (2 Hours)	1-3, 5-14

** This is a tentative schedule. If the subject matter designated for a week is not completed during scheduled weekly lecture, the remainder will be covered in the following week.*