

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

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

COURSE OBJECTIVE

The goal of this course is to examine the factors 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 1 (C01): Wed 11:30 – 14:20
Class location: Virtual classroom

Section 2 (C02): Tue 19:00 – 21:50
Class location: Virtual classroom

Dr. Peter Miu
Instructor

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Office: DSB 320

Office hours: TBA

Tel: (905) 525-9140 x 23981

TBA

Teaching Assistant

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 accounting and economic 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 ACTIVITIES	DELIVERY	DESCRIPTION	TOOL(S)
Recorded lecture content	Asynch.	Recorded lecture videos (students are expected to finish watching the videos posted for that week <u>before</u> attending the live lecture)	Videos posted on Avenue
Live lectures	Synch.	45 to 90 minutes live sessions by the instructor	Zoom or MS Teams Every week during class time
Readings, articles, online information, assigned questions	Asynch.	Related to weekly lectures	Posted on Avenue , or in assigned textbook

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 accounting and economic foreign exchange exposures;
- Understand the economics and decision factors in international financing and investments.

REQUIRED COURSE MATERIALS AND READINGS

Multinational Financial Management, 11th Edition, by Alan C. Shapiro and Paul Hanouna, John Wiley & Sons, 2019. Further reading materials may be suggested by the instructor during the lectures. Slides and other teaching materials are available 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

Assignment #1	Numerical and/or essays (group)	15%
Mid-Term Exam	Exam (individual)	30%
Assignment #2	Numerical and/or essays (group)	15%
Final Exam	Exam (individual)	40%
Total		100%

Missed exams and late assignments will receive a grade of zero unless the student has submitted and been approved for a Notification of Absence or MSAF.

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

Grade Conversion

At the end of the course your overall percentage grade will be converted to your letter grade in accordance with the following conversion scheme:

LETTER GRADE	PERCENT	LETTER GRADE	PERCENT
A+	90-100	C+	67-69
A	85-89	C	63-66
A-	80-84	C-	60-62
B+	77-79	D+	57-59
B	73-76	D	53-56
B-	70-72	D-	50-52
		F	00-49

Students who wish to have a course component re-evaluated must complete the following form:

http://www.mcmaster.ca/policy/Students-AcademicStudies/Form_A.pdf

In order for the component to be re-read:

- The component must be worth 10% or more of the final grade in the course;
- Students pay a fee of \$50 in Gilmour Hall 209 and the receipt is then brought to Student Experience - Academic Office (formerly the APO) in DSB 112;
- The Area Chair will seek out an independent adjudicator to re-grade the component;
- An adjustment to the grade for the component will be made if a grade change of three points or greater on the 12-point scale (equivalent to 10 marks out of 100) has been suggested by the adjudicator as assigned by the Area Chair;
- If a grade change is made, the student fee will be refunded.

COURSE DELIVERABLES

Assignments

There are **two** assignments, each of which is worth **15%** of the final grade. The assignments are made up of numerical questions and/or short essays that can be completed and submitted **individually or with at most two other classmates**.

Mid-Term Exam

Mid-term exam to be completed individually. It is a timed online exam consisting of multiple-choice questions, numerical questions, short answers, and/or short essays.

Final Exam

Final exam will be cumulative and to be completed individually. It is a timed online exam consisting of multiple-choice questions, numerical questions, short answers, and/or short essays.

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.

REQUESTING RELIEF FOR MISSED ACADEMIC WORK

In the event of an absence for medical or other reasons, students should review and follow the Academic Regulation in the Undergraduate Calendar “Requests for Relief for Missed Academic Term Work” and the link below;

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

ACADEMIC INTEGRITY

You are expected to exhibit honesty and use ethical behaviour in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity. **It is your responsibility to understand what constitutes academic dishonesty.**

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 behaviour 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.

For information on the various types of academic dishonesty please refer to the [Academic Integrity Policy](https://secretariat.mcmaster.ca/university-policies-procedures-guidelines/), located at <https://secretariat.mcmaster.ca/university-policies-procedures-guidelines/>.

The following illustrates only three forms of academic dishonesty:

- plagiarism, e.g. the submission of work that is not one’s own or for which other credit has been obtained.
- improper collaboration in group work.
- copying or using unauthorized aids in tests and examinations.

COURSES WITH AN ON-LINE ELEMENT

This course uses on-line elements (e.g. e-mail, Avenue to Learn (A2L), Zoom, Microsoft Teams, LearnLink, web pages, capa, Moodle, or ThinkingCap, etc.). Students should be aware that, when they access the electronic components of a course using these elements, 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 a course that uses on-line elements will be deemed consent to this disclosure. If you have any questions or concerns about such disclosure please discuss this with the course instructor.

ONLINE PROCTORING

This course may use online proctoring software for tests and exams. This software may require students to turn on their video camera, present identification, monitor and record their computer activities, and/or lock/restrict their browser or other applications/software during tests or exams. This software may be required to be installed before the test/exam begins.

CONDUCT EXPECTATIONS

As a McMaster student, you have the right to experience, and the responsibility to demonstrate, respectful and dignified interactions within all of our living, learning and working communities. These expectations are described in the [Code of Student Rights & Responsibilities](#) (the “Code”). All students share the responsibility of maintaining a positive environment for the academic and personal growth of all McMaster community members, **whether in person or online.**

It is essential that students be mindful of their interactions online, as the Code remains in effect in virtual learning environments. The Code applies to any interactions that adversely affect, disrupt, or interfere with reasonable participation in University activities. Student disruptions or behaviours that interfere with university functions on online platforms (e.g. use of Avenue 2 Learn, WebEx or Zoom for delivery), will be taken very seriously and will be investigated. Outcomes may include restriction or removal of the involved students’ access to these platforms.

ACADEMIC ACCOMMODATION OF STUDENTS WITH DISABILITIES

Students with disabilities who require academic accommodation must contact [Student Accessibility Services](#) (SAS) at 905-525-9140 ext. 28652 or sas@mcmaster.ca to make arrangements with a Program Coordinator. For further information, consult McMaster University's [Academic Accommodation of Students with Disabilities](#) policy.

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 should submit their request to their Faculty Office **normally within 10 working days** of the beginning of term in which they anticipate a need for accommodation 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.

COPYRIGHT AND RECORDING

Students are advised that lectures, demonstrations, performances, and any other course material provided by an instructor include copyright protected works. The Copyright Act and copyright law protect every original literary, dramatic, musical and artistic work, **including lectures** by University instructors.

The recording of lectures, tutorials, or other methods of instruction may occur during a course. Recording may be done by either the instructor for the purpose of authorized distribution, or by a student for the purpose of personal study. Students should be aware that their voice and/or image may be recorded by others during the class. Please speak with the instructor if this is a concern for you.

EXTREME CIRCUMSTANCES

The University reserves the right to change the dates and deadlines for any or all courses in extreme circumstances (e.g., severe weather, labour disruptions, etc.). Changes will be communicated through regular McMaster communication channels, such as McMaster Daily News, A2L and/or McMaster email.

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

**Commerce 3FC3
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Fall 2020 Course Schedule**

WEEK	DATE		MAIN TOPICS AND DESCRIPTIONS	TEXTBOOK CHAPTER	EVENT
	C01	C02			
1	Sep-09	Sep-08	Introduction Some basic concepts	Chapter 1 and 2	
2	Sep-16	Sep 15	Determination of exchange rate Role of central bank	Chapter 2 and 3	
3	Sep-23	Sep-22	Monetary system Purchasing power parity	Chapter 3, 4.1-4.2	
4	Sep-30	Sep-29	Fisher effects Interest rate parity (Part I)	Chapter 4.3-4.5	
5	Oct-07	Oct-06	Interest rate parity (Part II) Unbiased nature of forward rate	Chapter 4.5-4.8	
6	Oct 12-16		No class: Mid-term recess		
7	Oct-21	Oct-20	Spot foreign exchange markets Forward contracts Mid-term exam: Sat Oct-24, 9:30am – 12:00pm online exam via A2L (timed)	Chapter 6	Assignment #1 due on Oct-19 (Mon) at 5:00pm, submit via A2L
8	Oct-28	Oct-27	Futures contracts Currency options	Chapter 7	
9	Nov-04	Nov-03	Interest rate and currency swaps	Chapter 8.1	
10	Nov-11	Nov-10	Measuring and managing FX exposures (Part I)	Chapter 9 and 10	
11	Nov-18	Nov-17	Measuring and managing FX exposures (Part II)	Chapter 9 and 10	
12	Nov-25	Nov-24	Measuring and managing FX exposures (Part III)	Chapter 9 and 10	
13	Dec-02	Dec-01	International cost of capital	Chapter 15	
14	Dec-09	Dec-08	International financing International capital markets	Chapter 11 and 12	Assignment #2 due on Dec-09 (Wed) at 5:00pm, submit via A2L