

**Commerce 3FC3
International Finance
Fall 2023 Course Outline**

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

INSTRUCTOR AND CONTACT INFORMATION

Section 1 (C01): Wed 11:30am – 2:20pm
Section 2 (C02): Tue 11:30am – 2:20pm
Section 3 (C03): Mon 11:30am – 2:20pm

Dr. Peter Miu

Instructor

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Office hours: TBA

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Teaching Assistant

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Office hours: TBA

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 INFORMATION

Lectures: 3 hrs. per week

Course Delivery Mode: In-person

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 examine how the accounting and economic foreign exchange exposures can be effectively managed. This course is taught primarily through lectures, readings, in-class discussions, and assignments.

IMPORTANT LINKS

- [Mosaic](#)
- [Avenue to Learn](#)
- [Student Accessibility Services - Accommodations](#)
- [McMaster University Library](#)

COURSE LEARNING OUTCOMES

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

- Explain the movements of foreign exchange rates based on different market variables;
- Identify arbitrage profit opportunities in the foreign exchange markets;
- Measure and manage accounting and economic foreign exchange exposures; and
- Determine the cost of capital of multinational corporations.

COURSE LEARNING GOALS

Upon successful completion of this course, students will:

- 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; and
- Understand the differences between accounting and economic foreign exchange exposures.

REQUIRED MATERIALS AND TEXTS

Multinational Financial Management, 11th Edition, by Alan C. Shapiro and Paul Hanouna, John Wiley & Sons, 2019. You can access the Campus Store textbook link [here](#). Further reading materials may be suggested by the instructor during the term. 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/problems suggested by the instructor.

COURSE 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 grade for class participation, your questions and/or comments are encouraged and appreciated.

Components and Weights

Assignment #1	Numerical and/or essays (group)	15%
Assignment #2	Numerical and/or essays (group)	15%
Quizzes	In-class quizzes (individual)	15%
Mid-term exam	Exam (individual)	25%
Final exam	Exam (individual)	30%
Total		100%

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

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

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**. Physical copy of the assignment to be submitted by putting in the drop box in front of DSB 303 before the due date/time.

Quizzes

A total of four in-class quizzes will be conducted (refer to the course schedule on the last page for the schedule of the quizzes). The quizzes will be timed and to be completed individually at specific time during the lectures. Only students enroll in the specific section will be allowed to write the quiz during the lecture of that section. Each quiz consists of several multiple-choice questions on the teaching materials covered respectively as follow:

- **Quiz #1** on materials covered in Lectures 1 and 2
- **Quiz #2** on materials covered in Lectures 3, 4, and 5
- **Quiz #3** on materials covered in Lectures 7 and 8
- **Quiz #4** on materials covered in Lectures 9, 10, and 11

The quizzes together carry a **15%** weight on your overall course grade. The overall grade of the quizzes is calculated based on the grades of your **best three quiz results** (among the four quizzes).

Mid-Term Exam

Mid-term exam to be completed individually. It consists of multiple-choice questions, numerical questions, and/or short essays.

Final Exam

Final exam is cumulative and to be completed individually. It consists of multiple-choice questions, numerical questions, and/or short essays.

LATE ASSIGNMENTS

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

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.degroote.mcmaster.ca/forms-and-resources/missed-course-work-policy/>

COURSE MODIFICATION

From time to time there may be a need to remove/add topics or to change the schedule or the delivery format. If these are necessary, you will be given as much advance notice as possible.

GENERATIVE AI

Students are not permitted to use generative AI in this course. In alignment with [McMaster academic integrity policy](#), it “shall be an offence knowingly to ... submit academic work for assessment that was purchased or acquired from another source”. This includes work created by generative AI tools. Also state in the policy is the following, “Contract Cheating is the act of “outsourcing of student work to third parties” (Lancaster & Clarke, 2016, p. 639) with or without payment.” Using Generative AI tools is a form of contract cheating. Charges of academic dishonesty will be brought forward to the Office of Academic Integrity.

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](#).

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, Avenue to Learn 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 International Finance Fall 2023 Course Schedule

LECTURE	DATE	MAIN TOPICS AND DESCRIPTIONS	TEXTBOOK CHAPTER	EVENT
1	Sep 5, 6, 11	Introduction Some basic concepts	Chapter 1 and 2	
2	Sep 12, 13, 18	Determination of exchange rate Role of central bank	Chapter 2 and 3	
3	Sep 19, 20, 25	Monetary system Purchasing power parity	Chapter 3, 4.1-4.2	Quiz #1
4	Sep 26, 27, and Oct 2	Fisher effects Interest rate parity (Part I)	Chapter 4.3-4.5	
5	Oct 3, 4, 16	Interest rate parity (Part II) Unbiased nature of forward rate	Chapter 4.5-4.8	
6	Oct 17, 18, 23	Spot foreign exchange markets Forward contracts	Chapter 6	Quiz #2
7	Oct 24, 25, 30	Futures contracts Currency options	Chapter 7	Assignment #1 due on Oct 25 (Wed) at 4:00pm, DSB 303 drop box Mid-term exam: Sat. Nov 4, 12:30 – 2:30 pm Location: BSB 147
8	Oct 31, Nov 1, 6	Interest rate and currency swaps	Chapter 8.1	
9	Nov 7, 8, 13	Measuring and managing FX exposures (Part I)	Chapter 9 and 10	Quiz #3
10	Nov 14, 15, 20	Measuring and managing FX exposures (Part II)	Chapter 9 and 10	
11	Nov 21, 22, 27	Measuring and managing FX exposures (Part III)	Chapter 9 and 10	
12	Nov 28, 29, and Dec 4	International cost of capital	Chapter 15	Quiz #4
	Dec 5, 6	No class: Instructor's office hours		Assignment #2 due on Dec 6 (Wed) at 4:00pm, DSB 303 drop box