



THE UNIVERSITY OF
NEW SOUTH WALES
SYDNEY • 2052 • AUSTRALIA

SCHOOL OF BANKING AND FINANCE

FINS3616 INTERNATIONAL BUSINESS FINANCE

Session 1, 2003

Objective

This course provides students with the basic theoretical and practical knowledge required for the management of financial functions of firms operating in several countries. This includes necessary theory and evidence basic to an understanding of international capital and foreign exchange markets. In particular, this course covers topics such as international diversification, foreign investment decisions, cost of capital for multinational corporations, foreign direct investment, financial and political risks, the role of multinational banks and the financial benefits of Euro-currencies and Eurobonds, short-term financing, and international equity markets. It is relevant to a broad range of professions including corporate treasury management, corporate finance, international securities trading and investment management. The general emphasis is on the identification and management of risk relating to exchange rate fluctuations and government policy changes. A copy of this course outline is available from the School of Banking and Finance web site at <http://banking.web.unsw.edu.au/fins3616/>

Teaching Staffs

Dr. Kingsley Fong	Lecturer-in-charge	Q3023A	x4932	k.fong@unsw.edu.au
Dr. Alfred Yawson	Lecturer	Q3067	x4900	a.yawson@unsw.edu.au

Note: Staffs will only response to email with reference to sender's student name and student number.

Lecture Times

There will be two lecture streams each week. The times and locations are as follows:

Monday	17:00 – 19:00	Bio Med D
Wednesday	12:00 – 14:00	Webster B

Tutorials

Students **MUST** enroll in a tutorial stream. Please consult the School of Banking and Finance website for the locations and times of the available tutorial streams. The Tutorial Allocation System (TAS) will be available on Monday and Tuesday of Week 1 to enable changes, additions and deletions (please consult the Faculty of Commerce and Economics). After the TAS system has closed, changes will be made **ONLY** for documented University conflicts. The tutor-in-charge for this course is **TBA**.

Important to Note: Students will only receive class participation credit for the tutorial they are officially enrolled in. It is up to the individual student to ensure that they are officially enrolled in the tutorial they are attending.

Assessment

The assessment scheme for this course is as follows:

Assignment*	20%
Tutorial Participation	10%
Mid-Session Examination	35%
Final Examination	35%

* Optional- can be waived for an equal increased weighting on mid-session and final exam.

Mid-Session and Final Examination

A Mid-Session Examination will be held. Details will follow shortly. It will cover lecture materials and the corresponding tutorials. Attendance is compulsory. Please see note on supplementary examination and application for special consideration. The supplementary examination for the mid-session examination, if any, will be held during the supplementary examination period for the first semester. **Please note that there will be no lectures or tutorials during the week of the mid-semester examination. Nevertheless, students are expected to prepare the solutions to the tutorial questions assigned for this week in their own time!** The final exam will be based on the remaining weeks' topics. Details regarding the mid-session exam will be posted on the subject website shortly.

Special Consideration

All requests for special consideration must be submitted to the Registrar with supporting documentation within seven days of the related examination or the due date of the related assignment. A copy of the application form and its supporting documentation must also be submitted to the **lecturer-in-charge** Dr. Kingsley Fong. Requests on medical grounds will not be considered unless Section B of the application form is duly stamped and signed by a registered medical practitioner and with clearly visible contact phone number. In accordance with the "note" on page 30 of the *Student Guide*, **students will not be granted supplementary assessment if they have attained a pass or better from completed assignments.** Supplementary examination will only be granted in exceptional cases. Specifically, the student must be able to demonstrate a serious illness or a serious accident injury evidenced by a medical certificate indicating physical

inability to attend. Students being considered for special consideration are responsible for checking on the progress of the application. The students for whom supplementary assessment has been granted are responsible for learning the time and location of that assessment.

Tutorials

Tutorials will generally consist of two types of questions. First, a number of conceptual questions covering the specific topic will be set. These questions are designed to test and assess your understanding of the topic area. Second, a number of practical/problem questions will be set. **These questions will not always follow directly from lectures.** Solutions to these questions will be discussed in detail in tutorials. Students will be expected to lead the discussion of these questions and must prepare their answers before the tutorial time. Students must keep a **subject work file** which contains their tutorial work. This will be inspected from time to time by the tutor who will record that tutorial work is being done. A tutorial problem set schedule is attached in the appendix. Note that it may not be possible to discuss all of the conceptual questions in the tutorial as it is a priority to cover the problem questions. Students must however fill in the blanks by re-reading the chapters and completing the conceptual questions in their own time, recording this in their subject work folder.

Assignment (20%)

There is an optional assignment that can be submitted for this course. The assignment can be completed in groups of up to 3 students and will consist of two parts. The first part is a 2,000-word essay detailing the experience of the Australian Dollar over the first 10 weeks of the session, plus an analysis and forecast of the Australian Dollar over the next 3 weeks. This first part is due on Monday week 11. The second part is a 1,000-word limit essay consists of a comparison of your forecast with realized Australian Dollar value over the forecast period. Reasons for forecast errors and additional discovery should be explained. This second part is due on Monday week 14.

Students must notify their tutor no later than their week 3 tutorial if they want to undertake the assignment. Students who elect to undertake the assignment will NOT have the option of changing their minds and will receive zero if no assignment is submitted. Late submissions will not be accepted.

In making their decision students should keep in mind that in the event of any application to alter their final mark (e.g. applying for special consideration or if the student fails the subject) we will take into account your performance in coursework throughout the session. In this regard it would be advantageous to have undertaken the assignment and performed well. **This is a less risky strategy.**

Text Books

Required Text

Butler, K. (2000). Multinational Finance, South Western College Publishing. Second Edition. This book is available from the UNSW bookshop located near the Quadrangle.

Some Useful Reference Texts

Adrian Buckley, "Multinational Finance", Prentice-Hall Australia.
Eaker, M., F.J. Fabozzi, and D. Grant (1996) International Corporate Finance, Dryden Press.
Eiteman, D.K., A.I. Stonehill and M.H. Moffett (1998) Multinational Business Finance, 8th Edition, Addison-Wesley.
John Dunning, "Multinational Enterprises and the Global Economy", Addison-Wesley.
Moosa, I. A. (1998) International Finance, Irwin, McGraw-Hill.
Reilly, F.K., and K.C. Brown (1997) Investment Analysis and Portfolio Management, 5th Ed., Dryden Press.
Shapiro, A.C. (2002), Multinational Financial Management, 7th Edition, Wiley.
Solnik, B. (1996), International Investment, Third Edition, Addison Wesley.

Tutorial Problem Set Schedule

All questions are from end of chapter exercises in Butler. There is an expectation that students will engage in additional readings, as well as Butler. The conceptual questions are from the first set of questions 'Conceptual Questions', the problems questions are taken from the second set of 'Problems'. For the discussion questions students should at least prepare shorthand notes. For problems students should prepare detailed answers. **If some of the conceptual questions cannot be covered in tutorials you must complete these in your own time and record them in your subject work folder.**

Lecture Topics and Required Reading

Week	PART I OVERVIEW AND BACKGROUND	Butler Ch.	Staff
1	Introduction	1	KF
	World Trade in Goods and Capital and the International Monetary System	2	KF
	PART II FOREIGN EXCHANGE AND EXCHANGE RATE DETERMINATION		
2	The Foreign Exchange and Euro-currency Markets	3	KF
	International Parity Conditions	4	KF
3	The Nature of Currency Risk	5	KF
	PART III THE MULTINATIONAL CORPORATION'S INVESTMENT DECISIONS		
	Multinational Corporate Strategy	6	KF
4	Cross-Border Capital Budgeting	7	KF
	Taxes and Multinational Corporate Strategy	8	KF
5	Country Risk	9	KF
	Real Options and Cross-Border Investment	10	KF
6	Corporate Governance and International Market for Corporate Control	11	KF
	Introduction to Multinational Treasury	12	KF
7	Mid Session Examination		KF
	PART IV THE MULTINATIONAL CORPORATION'S FINANCIAL DECISIONS		
8	The Rationale for Hedging Currency Risk	13	AY
	Transaction Exposure to Currency Risk	14	AY
9	Operating Exposure to Currency Risk	15	AY
	Translation Exposure to Currency Risk	16	AY
10	Multinational Capital Structure and Cost of Capital	17	AY
	PART V DERIVATIVE SECURITIES FOR CURRENCY RISK MANAGEMENT		
	Currency Futures and Futures Markets	18	AY
11	Currency Options and Options Markets	19	AY
	Currency Swaps and Swaps Markets	20	AY
	PART VI INTERNATIONAL CAPITAL MARKETS AND PORTFOLIO INVESTMENT		
12	A Tour of the World's Capital Markets	21	AY
	International Portfolio Diversification	22	AY
13	International Asset Pricing	23	AY
	Managing an International Investment Portfolio	24	AY
14	Review of Course		AY

Tutorial Questions

	End of Chapter	Conceptual Qs	Problem Qs
Tute 1 (Week 2)	1 2	1 to 7 1 to 9	
Tute 2 (Week 3)	3 4	1 to 5 1 to 6	1,3,6 1,2,6
Tute 3 (Week 4)	5 6	1 to 12 3,4,5,8	1,3
Tute 4 (Week 5)	7 8	1 to 3 1 to 5	2 1
Tute 5 (Week 6)	9 10	1 to 12 1 to 10	1 1
Tute 6 (Week 8)	11 12	1 to 11 1 to 11	2 1,2
Tute 7 (Week 9)	13 14	1 to 3 1 to 7	3,4 4
Tute 8 (Week 10)	15 16	1 to 10 1 to 4	1,2,3 1
Tute 9 (Week 11)	17 18	1 to 9 1 to 6	3,6 1,5
Tute 10 (Week 12)	19 20	1 to 7 1 to 6	3 1
Tute 11 (Week 13)	21 22	1 to 10 1 to 10	4 8,10,11
Tute 12 (Week 14)	23 24	1 to 15 1 to 8	2,4 2,3