

FIN 468: INTERNATIONAL FINANCIAL MANAGEMENT

Spring 2024

Instructor:	Keshav R. Bhattarai	Time: MWF 10:00 AM - 10:50 AM
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Office Hours:	MW 11:00 AM - 1:00 PM	Office: 131A Holman Hall

Course Description

This course explores the fundamental concepts and theories in international finance with a focus on financing decision-making. After a brief review of the determinants of exchange rates and the international economic environment, the class focuses in detail on hedging, international capital acquisition, economic exposure management, capital budgeting, and financial strategy. The goal of the course is to provide students with sufficient exposure to the theories, institutional details, and practical applications of international finance so that students will develop a comprehensive understanding of how economic, political, and financing factors influence cross-border financial transactions and decision-making.

Learning Objectives

1. Comprehend key concepts and theories of international financial management
2. Analyze the international monetary system and the foreign exchange markets
3. Examine the Balance of Payment (BOP) and its implications for international competition
4. Apply techniques and tools to manage foreign exchange exposure and interest rate risk effectively
5. Understand the role of international financial markets and institutions
6. Examine financial decisions related to foreign direct investment and international capital budgeting
7. Employ critical thinking skills in solving real-world international financial management problems

Prerequisites

FIN 331 or equivalent. Students should be familiar with the topics covered in FIN 331, including present value calculation, IRR, NPV, cost of capital, capital budgeting, CAPM, covariance, correlation, and basic regression analysis.

Course Materials

- **Required Textbook:** Madura, J. (2020), "International Financial Management," 14th edition, Cengage Learning. (ISBN: 9780357130612)
- **Financial Calculator:** Texas Instruments BAI Plus or another calculator of your choice. I strongly recommend the **Texas Instruments BAI Plus** financial calculator. If you have another financial calculator that you are comfortable with, you may use it however, I will use Texas Instruments BAI Plus for any in-class examples. Whatever calculator you choose, you are responsible for becoming familiar with it.

Technology Requirement

Internet Access: You must have access to the Internet for the duration of this course. A Blackboard and MindTap® Finance-supported browser is required for this course. Visit www.olemiss.edu/info/browsercheck to run the Blackboard Browser Checker to verify whether your computer has the required plug-ins installed.

Course Evaluation

Your final grade for the course will be determined using the following formula:

Mid-Term Exams (2 @ 15% each)	30%
Final Exam	20%
Homework Assignments	25%
Quizzes and Attendance	10%
Group Assignment	15%
Total	100%

The letter grades will be assigned based on the following percentage scale.

A	90% and above
B	80% to < 90%
C	70% to < 80%
D	60% to < 70%
F	Below 60%

Exams

All exams will be closed book/closed notes. The only item you should bring to exams is your financial calculator. I will provide printed copies of the equation sheets posted on Blackboard. Exams will include free-response questions that assess your conceptual understanding, critical thinking, and problem-solving ability. Partial credit is available for free-response questions. Exams must be taken on the exam date listed on the attached schedule. **There will be no makeup exams after the exam date for missed exams. Official University Absence Documentation:** If you know you will be unavailable on the day of an exam, excluding the final, due to an official university-sanctioned event, it is your responsibility to inform me in email **AT LEAST ONE WEEK** before the exam date. We will determine a mutually convenient time for you to take the exam **PRIOR** to your absence. You cannot take the exam after the scheduled exam date on the syllabus. **THERE ARE NO EXCEPTIONS TO THIS POLICY.** It is the student's responsibility to provide documentation from a university authority to verify the legitimacy of the university-sanctioned event.

Homework Assignments

Homework includes 10 MindTap® Finance assignments. The due dates are listed on the attached schedule. Each homework assignment will count for 100 points, and the average of all homework assignments will count for 25% of the course grade. **MindTap® Finance assignments are due at 11:59 pm the day before the exam that covers the associated material.** It takes a significant amount of time to work on each assignment. The single due date per exam material is for your convenience and in anticipation of unexpected circumstances. In other words, do not wait until the due dates to complete/submit your homework assignments; otherwise, you will fall behind. No credit will be given for "close" answers but incorrect ones, so use all attempts sparingly and do NOT round intermittent steps of a problem. **Why homework?** Students who have not spent ample time working on homework problems will have trouble passing this course; students who work on additional practice problems tend to perform the best.

The MindTap® Finance course key is: **MTPPJNL393NK**

To access MindTap® Finance, go to: <https://student.cengage.com/course-link/MTPPJNL393NK>

Quizzes and Attendance

The quizzes and attendance will count towards 10% of your final grade. The dates of the quizzes are random. There are no make-up quizzes. You must be present at the time the quiz is administered. You will not

be allowed to take a quiz late. If a quiz is administered at the beginning of class and you arrive late, you will not be given extra time to complete the quiz. **I will use three measures: quizzes, non-graded quizzes, and class attendance to calculate the grade for this part. Attendance will be recorded randomly, typically towards the end of the session.**, and will factor into this component of your grade. If you are absent due to an official university-sponsored event or to fulfill a civic responsibility (e.g., jury duty, military service, etc.), then the quiz can be taken early (if possible), or the missed quiz will be omitted from your grade calculation. Also, if you miss class due to a health issue (have a doctor's excuse) or due to the passing of a close relative (have published obituary) and get the absence excused by me prior to the next class meeting, then the missed quiz will be omitted when calculating the quiz portion of your grade. While there may be other legitimate reasons for missing class, only the reasons listed above will excuse a quiz from grade calculation.

Group Assignment

Over the semester, students will collaborate in groups to compile a report on contemporary topics and issues related to international finance. As part of the assignment, students will choose a topic, collect data and background information, conduct an analysis, compose a brief report, and deliver a presentation. Additional details about the requirements and deliverables for this project will be provided in class and posted on Blackboard.

Help:

If you find the course materials to be overwhelming, please come see me as soon as possible. If you cannot see me during office hours, make an appointment to meet with me at another time. I'll be happy to work with you and help as best I can. Getting help when you first fall behind is much easier (and more effective) than waiting weeks right before an exam. I want you to do well in this course. If you have difficulties or concerns, I will do my best to help you address them. However, I am only able to help **before grading occurs**. I will spend time working to help you learn the material and help you review practice problems. I will not consider altering your grade after it has been given because of extenuating circumstances.

Final Grade:

When assigning the final letter grade for the course, **prior exam and homework grades are not open to reassessment**. If you believe an exam was incorrectly graded, you must bring your concern to my attention **within 2 weeks** of the exam grade being posted on Blackboard. I will not discuss your grade in the course with you after you take your final exam. If you have a concern about your grade, please email me.

Office Hours:

Office hours will be Mondays and Wednesdays from 11:00 AM to 1:00 PM in my office (Holman 131A). **If you need assistance and cannot meet during this window, please email me to schedule a meeting for an alternative day/time. I am here to help you succeed!**

Course Pedagogy

The course will be composed of lectures, class discussions, and problem-solving. There is much more to learn about international finance than can be covered in this class. Thus, the structure will be somewhat flexible, and the course outline is tentative. Students are encouraged to introduce current (relevant) topics that have been gathered through your regular reading of the *Wall Street Journal*, the *Financial Times*, the *Economist* or other periodicals, and relevant material from your work experiences.

Mastery of the material in this class typically requires much effort devoted to reading and (particularly) working problems. Although many of you could survive the course without doing all the recommended reading and problems, the more you do, the more you will get out of the course. Please read through the assigned materials and attempt the suggested problems/analyses before coming to class—i.e., attend classes prepared and do not fall behind. If you dig a deep enough hole, you may find it impossible to escape.

I cannot possibly cover all chapters in their entirety. Rather, I will focus on the material I feel is the most important in class. Since I will often move rapidly through the material, you will benefit from attending class and reading the relevant material from the text prior to each class meeting. Complete the reading assignment even if you do not understand everything in the first pass through the material. After class (and before the next one), you should go back and review the material covered. This is the best way to improve your understanding of the material.

Time Management

Successful completion of FIN 468 requires a significant amount of work in addition to the time spent in class. Please set aside a few hours each day, in addition to the lecture time, for reading the textbook and working on problems. Do NOT wait until just before the exam to begin preparation, as there will not be enough time to learn the material and answer your questions. You are encouraged to seek answers to your questions as they arise. The material discussed in class gets progressively more complex. Consequently, you will soon feel lost if you do not attend class or ask for clarification quickly.

Attendance Policy

Class attendance is expected and is necessary for the successful completion of this course. If a class is missed due to an official university function or civic responsibility, it is your duty to find out what material was covered and the assignment for the next class meeting. Any and all assignments are due as regularly scheduled.

Electronic Usage

Please silence and store your cell phone when the class is in session. You will not be allowed to use your phone as a calculator during quizzes or tests. Please see me prior to class if there is an impending emergency that requires you to have your phone out and visible during class time. I allow you to use your laptop computer for taking notes in class. However, if you abuse this privilege, I will ban laptop computers from the class. The only device allowed to be out on your workspace during a test is your one nonprogrammable calculator, preferably a TI BAII plus financial calculator.

Course Specific, School of Business, and University Policies

School of Business Administration's Statement on Academic Integrity

The School of Business Administration upholds honor and academic integrity in all of its teaching, research, and service activities. All business faculty, staff, and students are charged with the responsibility to behave with personal and professional integrity and to refrain from dishonorable conduct.

Weather Conditions:

If an examination is scheduled on a date when classes are canceled for weather, look to Blackboard for details of makeup time.

Disability Access and Inclusion

The University of Mississippi is committed to the creation of inclusive learning environments for all students. If there are aspects of the instruction or design of this course that result in barriers to your full inclusion and participation or to accurate assessment of your achievement, please contact the course instructor as soon as possible. Barriers may include but are not necessarily limited to, timed exams and in-class assignments, difficulty with the acquisition of lecture content, inaccessible web content, or the use of non-captioned or non-transcribed video and audio files. Students must also contact Student Disability Services at 662-915-7128 so that office can 1) provide you with an Instructor Notification form, 2) facilitate the removal of barriers and 3) ensure you have equal access to the same opportunities for success that are available to all students. Please complete the notification procedure within the first two weeks of the course. Also, please advise me in advance of any needs you may have since I may not be able to accommodate them at the last minute.

Student Attendance Verification Policy

The University must abide by federal guidelines to verify the participation of all students. Class attendance will be recorded during the first two weeks of the semester, and this information will be conveyed to the University. Students whose attendance is not verified during the first two weeks of classes will be dropped from the class.

Student Privacy Policy

The University of Mississippi protects the privacy of all students, including online students, through adherence to the Family Educational Rights and Privacy Act of 1974 (FERPA) through compliance with other institutional policies and procedures governing the management and security of protected information of faculty, staff, and students, and by outlining the expectations of privacy for the university community as regards to electronic information. Student Privacy Policy

Academic Dishonesty and Cheating

Academic dishonesty refers to the use of unauthorized books, notes, or otherwise securing help on a test, copying tests, assignments, reports, or term papers. It also includes attempts to deceive the professor or otherwise advantage the student's grade through deceit. Any student caught engaging in any form of academic dishonesty **will receive a failing grade for the semester** in this course—NO EXCEPTIONS! For more information, please refer to the university policy on *Student Academic Conduct and Discipline*.

Important Dates:

January 26	First Day of Class
March 1	Mid-Term Exam 1
Mar 9 to 17	Spring Break (No class)
March 25	Group Project Proposal Due
April 5	Mid-Term Exam 2
Mar 29	Good Friday Holiday (No class)
May 3	Last Day of Class
May 10	Final Exam

Course Outline(tentative)

The schedule is subject to change, and topics may be added/omitted depending on the pace of the class. I reserve the right to alter the class schedule as circumstances dictate. Changes to the syllabus will be announced in class. Students not attending class are responsible for obtaining this information.

• Part I: Overview of International Economic and Management Environment (Week 1-5)

1. Multinational Financial Management

- Read the syllabus carefully, browse the course website
- Read: Madura Ch. 1 (Sec 1.1, 1.2, 1.3, and 1.4)
- Watch: Comparative Advantage
<https://www.youtube.com/watch?v=4rUfoU04QJM>

2. International Flows of Funds

- Read: Madura Ch. 2 (Sec 2.1, 2.3, and 2.4)
- Watch: The Balance of Payment Explained
https://www.youtube.com/watch?v=QF3Nsbl3i_o

3. International Financial Markets

- Read: Madura Ch. 3 (Sec 3.1, 3.2, 3.6, and 3.7)
- Watch: How Global Trade Runs on U.S. Dollars
<https://www.youtube.com/watch?v=jsDwMGH5E8U>

4. Exchange Rate Determination

- Read: Madura Ch. 4 (Sec 4.1, 4.2, 4.3, and 4.5)
- Listen: The Mighty US Dollars
<https://www.npr.org/2022/09/28/1125771498/the-mighty-us-dollar-encore>

5. International Arbitrage and Interest Rate Parity

- Read: Madura Ch. 7 (Sec 7.1 -7.5)
- Watch: Covered Interest Rate Parity
<https://www.youtube.com/watch?v=Qu51Ez1GIsA>

6. Purchasing Power Parity and International Fisher Effect

- Read: Madura Ch. 8 (Sec 8.1-8.2)
- Watch: Purchasing Power Parity
<https://www.youtube.com/watch?v=13y49v0Zp1c>

MindTap® Finance Assignments 1, 2, and 3 Due: February 29

Midterm Exam 1: March 01 (tentative)

• **Part II: Currency Derivatives and Exposures Management (Week 6 - 11)**

7. Currency Derivatives

- Read: Madura Ch. 5 (Sec 5.1 - 5.5)

8. Forecasting Exchange Rates

- Read: Madura Ch. 9 (Sec 9.1 - 9.4)

9. Measuring Exposure to Exchange Rate Fluctuations

- Read: Madura Ch. 10 (Sec 10.1 - 10.4)
- Listen: Foreign Currency Risk: Back to the basics
https://viewpoint.pwc.com/dt/us/en/pwc/podcasts/podcasts_US/Foreign_currency_risk_Back_to_the_basics.html

10. Managing Economic and Transaction Exposure

- Read: Madura Ch. 11 (Sec 11.1 - 11.4)

MindTap® Finance Assignments 4, 5, 6, and 7 Due: April 4

Midterm Exam 2: April 5 (tentative)

• **Part III: International Capital Budgeting (Week 12-16)**

11. Foreign Direct Investment

- Read: Madura Ch. 13 (Sec 13.1 - 13.4)
- Read: U.S. Is Top Investment Destination Despite Falling Inflows
<https://www.wsj.com/articles/u-s-is-top-investment-destination-despite-falling-inflows>

12. Capital Budgeting for the Multinational Corporation

- Read: Madura Ch. 14 (Sec 14.1 - 14.5)

13. Country Risk Analysis

- Read: Madura Ch. 16 (Sec 16.1 - 16.4)

14. Multinational Capital Structure and Cost of Capital

- Read: Madura Ch. 17 (Sec 17.1 - 17.4)

15. Long-Term Debt Financing

- Read: Madura Ch. 18 (Sec 18.1, 18.3, 18.4, and 18.5)

MindTap® Finance Assignments 8, 9, and 10 Due: May 9

Final Exam: As scheduled by the University: Friday, May 10th at 8:00 AM.

How to access your MindTap course

Instructor: Keshav R. Bhattarai

Start Date: 01/22/2024

What is MindTap?

MindTap empowers you to produce your best work – consistently. MindTap is designed to help you master the material. Interactive videos, animations, and activities create a learning path designed by your instructor to guide you through the course and focus on what's important. Get started today!

Registration

1. Use the course registration link
<https://student.cengage.com/course-link/MTPPJNL393NK>
2. Follow the instructions on the screen to create your Cengage account and register for this MindTap course.

Payment

After registering for your course, you will need to pay for access using one of the options below:

- **Online:** You can pay online using a credit or debit card, or PayPal.
- **Bookstore:** You may be able to purchase access to MindTap at your bookstore. Check with the bookstore to find out what they offer for your course.
- **Free Trial:** If you are unable to pay at the start of the semester, you may choose to access MindTap until 6:00 AM on 02/05/2024 during your free trial. After the free trial ends, you will be required to pay for access.

Please note: At the end of the free trial period, your course access will be suspended until your payment has been made. All your scores and course activity will be saved and will be available to you after you pay for access.

Already registered an access code? Bought MindTap at your bookstore or online? Now use the course link from your instructor to register for the class:

<https://student.cengage.com/course-link/MTPPJNL393NK>

System Check

To check whether your computer meets the requirements for using MindTap, go to

<http://ng.cengage.com/static/browsercheck/index.html>

Please Note: The System Check is also accessible in the dropdown box next to your name located in the upper right corner of your MindTap page.