

University of North Texas

G. Brint Ryan College of Business

FINA 4500.002 / International Finance: Spring 2020

BLB 260, Tuesday, Thursday, 9:30 am – 10:50 am

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Office Hours: 11:00 am - 12:00 noon, Tuesdays, Thursday, or by appointment

Course Description and Objectives

Welcome to FINA 4500! In this course we will focus on a corporation which makes its investment, financing and operating decisions in an international setting. You will learn about the international financial and currency markets in which domestic and multinational firms operate. You will also learn about risks and opportunities faced by corporations and investors as a result of operating in an international environment. We will cover a wide range of international finance topics such as: fundamentals of foreign exchange markets, the mechanics and purpose of trading the spot, forward, futures and options foreign currency contracts, international parity relationships, making financing and investment decisions involving foreign projects or assets, assessing foreign exchange risk exposure, understanding the payoffs from currency options with foreign currency as the underlying asset, managing foreign exchange risk using financial and operating strategies, and interest rate and currency swaps.

By the end of this course you should be able to:

- understand different types of exchange rates (spot, forward etc.)
- understand international parity relationships and their prediction of the impact of economic factors (such as inflation and interest rates) on exchange rates
- understand opportunities and risk of investing and operating in global markets
- assess exchange rate exposure
- analyze investment decisions in foreign projects or assets
- evaluate potential strategies to hedge a firm's foreign exchange risk exposure
- understand currency swaps and its potential uses

Learning tips for this Course

FINA 4500 is a challenging course compared to say FINA 3770. Hence, I strongly encourage you to stay on top of the course from the beginning. I encourage you to read the relevant textbook chapter before class, review class lecture materials, goes over the end-of-chapter problems and attend all classes. You may also want to form a study-group that meets periodically (every week). Utilize the tutor lab (located in BLB 006).

Text

International Financial Management, by Eun and Resnick, 8th edition (Required): The course will follow this textbook closely so reading the textbook and working end of chapter problems will be very beneficial. You do not need any access codes so a used book will work fine. In addition, if it lowers the cost, the 7th edition of this book will work too.

Financial calculator: TI-BAII Plus or equivalent (Required)

Performance Evaluation

Your grade in this course will be determined on the basis of your performance in: (1) two mid-terms exam; (2) a final exam; (3) a group project. The components and their weights and relevant dates are given below:

Components of your grade	Date	Weight
Mid-term Exam 1	February 13 th	60 % (30% each)
Mid-term Exam 2	March 26 th	
Final Exam	May 7 th ; 8-10 AM	30 %
Group Project	Due: April 23 rd	10 %
	Total	100 %

Grading Scale

Grade	% to be earned to make the grade
A	Greater than or equal to 90
B	80 to 89.99
C	70-79.99
D	60-69.99
F	Less than 60

Group Project

Groups (4-5 students per group) will be formed (**by March 15th**) to analyze a case. A 6-7 page, 12pt font, double spaced, written report will be required from each group for the case. The case will cover foreign exchange risk management and expose students to the process of evaluating foreign exchange risk, considering hedging alternatives, and selecting a particular hedging strategy. **The report is due on April 23rd**. Late submission will reduce your grades on this component by 50%. The report needs to be submitted in both hard (paper printout) and electronic (via email) formats by the due date. The hard copy should be hand delivered to me on the due date in class.

Mid-Term and Final Exams

There will be *two mid-term exams* and a *final exam* on the dates specified in the syllabus. These will typically be a mix of multiple choice questions and problems. In order to qualify to take a make-up examination you must (1) notify me *before* the exam, (2) have a legitimate and verifiable excuse and (3) provide appropriate documentation. The make-up exam will typically be given within one week of the date of the exam. It is the student's responsibility to arrange with me when the make-up test will be taken during this one-week period. An unexcused absence during a scheduled test will be recorded on the student's record as a zero.

Note: While I will stick to the exam dates, I cannot guarantee that we will always be able to cover all the topics that is supposed to be tested on a particular exam, before the exam date. If that happens, we may have to move certain topics to the next exam, which will be announced in class in advance. So it is very important that you find out what topics will be on each test by coming to class or by asking a classmate.

Various Classroom Policies

Formula sheet: I will provide a formula sheet which will be attached to the exam. The formula sheet that I will provide will be available on Canvas in advance of the exam for review.

Canvas: I use it to post grades, upload class materials, and to send out important announcements. You should be regularly checking Canvas for updates.

Exam policy: Once an exam starts, you can leave only after turning in the exam. Please plan your restroom break before the exam starts. **No hats to be worn during exam. No cell phones, tablets, or other smart devices will be allowed** on exam days.

Rescheduling final exams: Students who have more than two final examinations scheduled on one day may request to reschedule one of the examinations on another day during the final examination period as follows: Students may request to reschedule their final exam with their respective faculty member. This request must be made in writing to the instructor of record for the course in which the examination is scheduled. This request must be made by the last regularly scheduled class meeting before pre-finals days. The request should identify the course name as well as the date and time each final is scheduled; and provide times when the student is available to take the exam. Instructors of record may, but are not required to, reschedule an examination on the date and time requested by the student.

Form a study group early on: It is possible that for various reasons, you could miss a class, or handouts, or important information about an exam or project. It is thus very helpful to keep a contact list of fellow students or form a group, to get what you missed. Your study group should meet once a week to review concepts, go over class materials, and end of chapter textbook problems.

Practice Problems/Questions: Working out the end of chapter problems in the text book will help you get a better understanding of the main concepts and chapter objectives. It is important to first attempt the problems thoroughly before checking the solutions. There is a free Finance tutoring lab in BLB 006 which has graduate assistants who can help you in reviewing the concepts.

Attendance: Although I will not take attendance, it is very important that you attend each class. You will be able to study the material after class more efficiently if you have attended class.

Other UNT Policies

Academic Integrity Standards and Sanctions for Violation: According to UNT Policy 06.003, Student Academic Integrity, academic dishonesty occurs when students engage in behaviors including, but not limited to cheating, fabrication, facilitating academic dishonesty, forgery, plagiarism, and sabotage. A finding of academic dishonesty may result in a range of academic penalties or sanctions ranging from admonition to expulsion from the University.

ADA Statement: UNT makes reasonable academic accommodation for students with disabilities. Students seeking accommodation must first register with the Office of Disability Accommodation (ODA) to verify their eligibility. If a disability is verified, the ODA will provide a student with an accommodation letter to be delivered to faculty to begin a private discussion regarding one's specific course needs. Students may request accommodations at any time, however, ODA notices of accommodation should be provided as early

as possible in the semester to avoid any delay in implementation. Note that students must obtain a new letter of accommodation for every semester and must meet with each faculty member prior to implementation in each class. For additional information see the ODA website at disability.unt.edu

Emergency Notification & Procedures: UNT uses a system called Eagle Alert to quickly notify students with critical information in the event of an emergency (i.e., severe weather, campus closing, and health and public safety emergencies like chemical spills, fires, or violence). In the event of a university closure, relevant announcements will be made via Canvas.

Emergency Evacuation Procedures for Business Leadership Building:

- **Severe Weather.** In the event of severe weather, all building occupants should immediately seek shelter in the designated shelter-in-place area in the building. If unable to safely move to the designated shelter-in-place area, seek shelter in a windowless interior room or hallway on the lowest floor of the building. All building occupants should take shelter in rooms BLB 055, 070, 090, and the restrooms on the basement level or in restrooms and BLB 170, 155, 122, 182 or 183 on the first floor.
- **Bomb Threat/Fire.** In the event of a bomb threat or fire in the building, all building occupants should immediately evacuate the building using the nearest exit. Once outside, proceed to the designated assembly area. If unable to safely move to the designated assembly area, contact one or more members of your department or unit to let them know you are safe and inform them of your whereabouts. Persons with mobility impairments who are unable to safely exit the building should move to a designated area of refuge and await assistance from emergency responders. All building occupants should immediately evacuate the building and proceed to the south side of Crumley Hall in the grassy area, west of parking lot 24.

Acceptable Student Behavior: Student behavior that interferes with an instructor's ability to conduct a class or other students' opportunity to learn is unacceptable and disruptive and will not be tolerated in any instructional forum at UNT. Students engaging in unacceptable behavior will be directed to leave the classroom and the instructor may refer the student to the Dean of Students to consider whether the student's conduct violated the Code of Student Conduct. The University's expectations for student conduct apply to all instructional forums, including University and electronic classroom, labs, discussion groups, field trips, etc. The Code of Student Conduct can be found at deanofstudents.unt.edu/conduct.

Student Perceptions of Teaching: Student feedback is important and an essential part of participation in this course. The student evaluation of instruction is a requirement for all organized classes at UNT. The survey will be made available during weeks 13 and 14 of the long semesters to provide students with an opportunity to evaluate how this course is taught. Students will receive an email from "UNT SPOT Course Evaluations via IA System Notification" (no-reply@iasystem.org) with the survey link. Students should look for the email in their UNT email inbox. Simply click on the link and complete the survey. Once students complete the survey they will receive a confirmation email that the survey has been submitted. For additional information, please visit the spot website at www.spot.unt.edu or email spot@unt.edu.

TENTATIVE COURSE SCHEDULE

Introduction and Globalization (Chapter 1)
Corporate Governance (Chapter 4)
The Market for Foreign Exchange (Chapter 5)
International Parity Relationships (Chapter 6)

Midterm Exam 1: Thursday, February 13th (regular class time, BLB 260)

International Bond Markets (Chapter 12)
International Equity Markets (Chapters 13)
International Investing (Chapter 15)
Capital budgeting for international projects (will provide supplemental reading)

Midterm Exam 2: Thursday, March 26th (regular class time, BLB 260)

Futures and Options (Chapter 7)
Hedging Foreign Exchange Exposure (Chapters 8 and 9)
Case Analysis: Foreign exchange risk management
Interest rate and Currency Swaps (Chapter 14)

Final Exam: Thursday, May 7th; 8.00 a.m. – 10.00 a.m., BLB 260