

**International Financial Management**  
**C15.0030**  
**Summer 2007**

Hae Jin Chung  
NYU Stern School of Business

MW 3:00-5:55  
Tisch LC9

Office: K-MEC 9-175 C  
Phone: (212) 998-0365  
E-mail: [hchung2@stern.nyu.edu](mailto:hchung2@stern.nyu.edu)  
Office Hours: TBA

**Course Description**

This course covers the special issues in financial management that arise as firms do business in an international setting. In the integrated world market of these days, firms and investors are exposed to foreign exchange risk in addition to asset risk itself, and should take this additional risk into account in their global investment and financing decision-making.

The class starts with the overview of the global financial markets and institutions and then looks into foreign exchange markets, exchange rate determination and various currency instruments such as forwards, futures, options and swaps which are used in managing foreign currency exposure. Next, we see how firms doing international business measure and manage the three different types of foreign exchange exposure, transaction, translation and economic exposure, using the instruments we learned in the first part of the class. Finally, we will discuss marketplaces and assets for international investment and financing, and international trade finance which is developed to facilitate international trade.

**Textbook**

Eiteman, Stonehill and Moffett, *Multinational Business Finance*, 11th edition, Addison-Wesley Publishers, 2006. (Custom Edition)

Grading	
Midterm	30%
Final	40%
Essay	20%
Problems and Participation	10%

## **Course Requirements**

In this course, there will be a critical essay due on the final exam date (June 22) as well as a midterm, a final exam and two problem sets. Attendance is required and active participation in class is highly recommended, and both are graded.

Essay: This is a 1000- 1200 word essay due on the final exam date (June 22) and will be collected *at the beginning* of the exam. As the problem sets, early submission is welcomed but *no late submission will be graded*. The purpose of this essay is to engage you to investigate in depth international financial management in practice. Therefore, the topic of the essay can be anything relevant to this class and can take the form of a (critical) summary of newspaper articles about an issue or of your own (reasonable) prediction or opinion about the trend in an international market or business based on facts. The essay should be compact enough to fall into the max 1200 word limit and include your own judgment. For example, you need to explain why you thought the newspaper articles you chose are important if you are writing a summary. Every reference and source of information you used should be indicated in an attachment to your essay. To encourage you to start working on the essay early and meet the deadline, I have set a deadline for the topic of 5/21.

You can also volunteer to give a short presentation (15-20 min) of your essay and earn extra points in participation. If you are interested in making a presentation, contact me before the midterm exam to schedule the date. You may submit your essay on the presentation date, but the official due date is still June 22.

Problem sets and Participation: There will be two problem sets to prepare you for the exams. Working together on these problem sets is allowed but everyone should submit their own work. Each problem set will be collected at the beginning of the due date class. Early submissions are welcomed, but *no late submissions will be graded*. Participation mostly counts for attendance, but it also allocates points for active participation such as asking good questions in class or volunteering for a short presentation of your essay. There are also penalties for cell phone uses during the class. If you have an important call to receive during the class, please ask for the permission in advance by e-mail or in person at the beginning of the class. Because of the intensity of the class schedule, I highly recommend you attend all the classes. If you have to miss a class, inform me of the reason in advance and submit a two-page *handwritten* summary of the ESM chapters covered in the class you missed by the next class to avoid a penalty in your participation grade.

## **The Stern Honor Code (excerpt)**

*I will not lie, cheat or steal to gain an academic advantage, or tolerate those who do.*

The Stern community believes that honesty and integrity are qualities necessary for rewarding academic and professional experiences. These qualities form the basis for the strong trust among all members of the academic community (students, faculty, and administrators) that is essential for excellence in education. The purpose of the Honor Code is therefore to express a commitment to promote principles of honesty, integrity and trust among Stern students. Therefore, prior to entering the program, each student is asked to

commit to the principles of this Honor Code and, by signing the Honor Code, agrees to abide by the Code. The Honor Code requires that each student act with integrity in all academic activities and that each student endeavors to hold his or her peers to the same standard.

Violations of the Honor Code include:

Lying - Lying includes knowingly communicating an untruth in order to gain an unfair academic advantage or neglecting to divulge information when under the circumstances a person of integrity would be expected to disclose the matter.

Cheating - Cheating includes using unauthorized materials to complete an assignment; copying the work of another student, or representing another's work as one's own work (plagiarism); falsifying one's identity by having another person take an exam; unauthorized providing of materials or information to others during exams; and any other activity which gives a student an unfair academic advantage. All communications, written, oral or otherwise, among students during examinations, are forbidden, as is the use of notes, books, calculators or other written material except when approved by the instructor.

Stealing - Students are required to submit their own work. Ideas, data, direct quotations, paraphrasing, or any other incorporation of the work of others must be clearly referenced. To do otherwise constitutes plagiarism, which is using the work of another without giving proper credit.

This list is not inclusive, and is included for illustrative purposes.

Upon witnessing a violation of the Honor Code, a student has a moral obligation to inform the student whose conduct is believed to be in violation of the Code that the Code has been violated. Each member of the Stern community, as a person of integrity, has a personal obligation to adhere to this requirement. The student also has the right to inform a member of the faculty.

### **Class Schedule**

Session	Date	Topic	ESM Chapter	Assignment
1	5/14	Introduction/ International Monetary System	2	Homework 1 / Essay topic
2	5/16	Foreign Exchange Markets/Forwards and Futures on Foreign Exchange	6,7	
3	5/21	Options on Foreign Exchange/ Money Market Hedging	6,7	
4	5/23	Currency and Interest Rate Swaps	14	
5	5/30	International Parity Conditions	4	
6	6/4	Midterm Exam		
7	6/6	Foreign Exchange Exposure and Management	8,9	
8	6/11	International Banking and Money market/ Bond Market	12,13	
9	6/13	International Equity Market/ International Capital Budgeting	12,13,18	Homework 2
10	6/18	International Trade Financing/ Review		
11	6/20	Final Exam		Essay