

**Stern School of Business
Department of Finance**

**International Financial Management
Professor Kishore Tandon**

**Spring 2009
B40.3388**

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Office Hours: Mon: 4.30 pm – 5.55 pm and By Appointment.

Textbook Required: **Custom Edition of Eiteman, Stonehill & Moffett
Multinational Business Finance Edition 11
Book has only 10 chapters from the full textbook
Edition 11 full text will work also.**
(Plus Instructor Notes posted on Blackboard)

Grading: Mid Term Exam: 35%
Final 45%
3 Cases 15%
Class Participation 5%
Absolutely no make-up exams will be given without prior approval. No late cases.

Course Objectives/Contents/Requirements:

This course extends the principles of Finance to an international context. In an international context, aside from asset risk, firms face the additional component of exchange rate risk management to its investment and financing decisions.

The first part of the course deals with an overview of the global financial environment, the existence of various currency instruments- spot, forwards, futures, options and swaps- and their applications in hedging exchange rate risk. The second part of the course shall discuss the management of foreign exchange exposure - transaction, translation and economic exposure. We shall then discuss the various international financial market securities- bonds, equities, mutual funds and global index-shares. Finally, the course will focus on international capital budgeting and cost of capital, international taxation and working capital management.

Course Requirements:

Course requirements include 2 exams, 3 cases, and active class participation (explained in class). The cases can be done in a group of up to two or three students (depending on class enrollment).

I will post 8 or 9 sets of my own lecture notes and several problem sets on the Blackboard, totaling 200 pages or so. The required textbook for the course is a customized book for the course (only 10 chapters from the full textbook) and is half the price of a regular textbook. There is a new Edition 12. If you can find the 11th edition of the full textbook, feel free to buy it – it will save you a lot of money. The book is a backup reading to my notes. Class participation is required, strongly recommended & graded seriously.

Integrity and Ethical Guidelines:

There is a strict code of honor for this course. For Stern Code of Conduct, go to www.stern.nyu.edu/uc/codeofconduct

There are absolutely no exceptions to this rule. There will be random seating during the exams. To ease the burden, **I will allow you a 3x5 index card of notes (both sides) in the exams.** It is also important that you report any observed violations.

Grading Policy and Description:

The percentage breakdown of how grade will be determined is mentioned above. The grade distribution will follow Stern Graduate (Finance) guidelines.

Course Policies (as recommended by Stern Task Force):

Class attendance and participation is **mandatory** and part of a student's grade. Absences may be excused only in the case of documented serious illness, family emergency, religious observance, civic obligations or unavoidable circumstances. Excessive absences (exceeding four) will be reported to the Dean's Office and will affect grades.

Students are expected to arrive to class and stay to the end of the class period. Chronically arriving late or leaving early will have an impact on the student's grade. Class participation is an essential part of learning in this course and students are expected to participate in all facets of classroom learning. Class participation is graded (please see above).

Cell phones, smart phones and other electronic devices are a disturbance to both students and professors. They must be turned off prior to each class meeting. Use of these phones (text messaging etc.) in class and especially in exams is unacceptable. If your cell phone rings in class, you will lose 2 points from the final grade. If my cell phone rings, you will all get one point.

Readings

<u>Lecture</u>	<u>Topic</u>	<u>Readings</u>
Class #1	Introduction to International & European Monetary System	Chapter 2 Lecture #1
#2/4	Foreign Exchange Rate Markets: Forwards, Futures, & Options Case # 1: Kendall Industrials (Due Week 5)	Chapters 6,7 Lecture #2
#5	Swap Markets: Interest Rate, Currency & Equity Swaps Case #2: Disney Swap Financing (Due Week 6)	Chapter 14 Lecture #3
#6	International Parity Conditions & Forecasting Exchange Rates	Chapter 4 Lecture #4
#7	Midterm Exam (First 2 hours of class)	
#8/9	Foreign Exchange Risk Exposure Translation/ Operating Exposure	Chapters 8,9 Lecture #5
#10/12	Financing Globally: Euromarkets Eurobonds & International Bonds International Interest Rate Derivatives Euroequities, ADRs, GDRs, International Mutual Funds/ETFs	Chapters 12,13 Lecture 6A,B,C
#13	International Capital Budgeting International Tax Management Case 3: International Capital Budgeting	Chapters 18 Lecture #7
#14	International Trade Financing International Mergers & Acquisitions	Lecture #8
#15	Final Exam	

List of Cases

- 1. Kendall Industrials on Exchange Rate Risk: copyrighted Professor Kishore Tandon.**
- 2. Disney Yen Financing: made available at my expense from Harvard Cases**
- 3. Newport Systems on International Capital Budgeting: copyrighted Kishore Tandon**