



INTERNATIONAL FINANCIAL MANAGEMENT

FINC-UB.0030.01/.02

Fall 2012

Section 1: TR 9:30-10:45am (KMC 4-60)

Section 2: TR 2-3:15pm (KMC 4-60)

Instructor: Prof. Robert Whitelaw
Office: KMC 9-69
Office Hours: Tues. 11am-noon, 3:30-4:30pm, Wed. 10:30-11:30am, 3:30-4:30pm or by appointment
Telephone: (212) 998-0338
Email: rwhitela@stern.nyu.edu
Homepage: Blackboard

TA: Fabian Loehner (fml254@stern.nyu.edu)
Office Hours: Ernst & Young Learning Center (Tisch LC) TBA

Course Description

Globalization and integration of financial markets present unique opportunities and unique risks for all kinds of firms and investors. This course is designed to provide you with a strong conceptual background for financial decision-making related to international corporate finance and international investing. The first part of the course is focused on currencies, including an in-depth analysis of exchange rates, international monetary systems, contemporary currency regimes, and current financial crises. The course then covers international capital markets and investment in foreign financial assets. Finally the course turns to international corporate finance, including a firm's exposure to various kinds of exchange rate risks, and the methods and financial instruments used to manage those risks, and international capital budgeting.

Pre-Requisites

Corporate Finance FINC-UB.0007 and Economics of Global Business ECON-UB.0002 are pre-requisites for this course. Students are expected to understand basic finance concepts such as cost of capital, capital budgeting, capital structure theory, portfolio theory, and basic derivative pricing (options and futures). They should also be comfortable with concepts in international trade, such as the role of comparative advantage, international capital flows, and basic exchange rate policies.

Required and Recommended Materials

The textbook for the course is

Geert Bekaert and Robert Hodrick, **International Financial Management**, Pearson Prentice Hall, 2nd Edition, 2012.

There are 3 required cases that are available in the bookstore in the form of an electronic course pack:

Baker Adhesives, Case No. UVA-F-1516, Darden Business Publishing
Carrefour S.A., Case No. UVA-F-1470, Darden Business Publishing
Hedging Currency Risks at AIFS, Case No. 9-205-026, HBS Publishing

There will also be lecture notes, handouts (e.g., journal and news articles), and supplementary materials (e.g., sample Excel spreadsheets) for many classes. Lecture notes and handouts will be distributed at the beginning of class, and they will also be available on Blackboard before the relevant class session. Extra copies of these materials will *not* be available in my office. If you miss or lose the handouts, you should print them out from Blackboard. The supplementary materials will also be available on Blackboard, as will links to other relevant information.

Finally, you need a calculator for this class. It is a distinct advantage to have a financial calculator, but not an absolute requirement.

Course Requirements

Assignments:

The assignments for the course consist of 5 problem sets, 3 cases, 2 in-class quizzes, and a final examination. Problem set and case questions will be handed out in class (and will be available on Blackboard). Each student should hand in an individual set of solutions with his/her name and section prominently displayed on the top. However, you may discuss the problem sets and cases with other students as long as you acknowledge any help you receive on the front page of your solutions. Quizzes and final exam questions will draw heavily from the problem sets.

The in-class quizzes and the final exam will consist of multiple choice questions and short problems like those on the problem sets, in the textbook, and in the lecture notes. They will be closed book exams; however, you may bring a single 8½ by 11 sheet of paper with your notes (double-sided) to each quiz and 3 sheets (double-sided) to the final exam. In addition, I will provide a formula sheet with all the relevant formulas. The final exam will be cumulative. There will be no make-up exams. If you know that you will be unable to make it to class on the scheduled date, let me know far enough ahead of time so that you can take the test beforehand.

Other requirements:

In addition to the problem sets, students should attempt to do end-of-chapter problems from the textbook. Suggested problems will be listed in the lecture notes. Answers to these problems will not be collected, and the solutions will be distributed. These problems are an excellent way to check your mastery of the material. Looking at the solution before attempting to do the problem is NOT a good way to approach these problems.

Class attendance is an important part of the learning experience. I do not take formal attendance; however, keep in mind that class participation does account for 5% of the final grade. If you are not in class, you cannot participate in the discussion. If you will miss class, please inform me beforehand via email. (One fifth of the class participation grade, 1% of the total grade, will be given for filling out an online customized course survey at the end of the semester.) For those of you who may miss class, I will attempt to tape every class session. The URL for the streaming video will be posted on Blackboard as soon as it becomes available. However, keep in mind that viewing the video is not a good substitute for attending class.

Finally, participation is an essential part of learning in this course. Students are expected to participate in all facets of classroom learning. In particular, you are expected to contribute, in a constructive manner, to classroom discussions. These contributions will make up the remaining four fifths of the class participation grade. The assigned reading should be done before the corresponding class session, and you are also expected to keep up with current business news by reading a publication such as the *Wall Street Journal*, the *Financial Times*, and/or the *Economist*. I will attempt to alert you to particularly interesting news items via an announcement on Blackboard. Thus, you should make an effort to check the course page regularly.

Policies and Procedures

The problem sets and cases should be handed in before the end of the class session in which they are due. (Due dates can be found on the final page of the syllabus.) They can be given to me in class or emailed. Regardless of the method of delivery, the same deadline applies. The deadline refers to the time at which I receive the assignment, not the time at which you send it. Assignments that are late but within 24 hours of the deadline, will receive ½ credit. After 24 hours, no assignments will be accepted (unless due to documented serious illness or family emergency); it is unfair to the other students in the class.

Students are expected to adhere to the NYU Stern Undergraduate Code of Conduct, a copy of which can be found at <http://www.stern.nyu.edu/uc/codeofconduct>. A student's responsibilities include, but are not limited to, the following:

- A duty to acknowledge the work and efforts of others when submitting work as one's own. Ideas, data, direct quotations, paraphrasing, creative expression, or any other incorporation of the work of others must be clearly referenced.
- A duty to exercise the utmost integrity when preparing for and completing examinations, including an obligation to report any observed violations.

Students whose class performance may be affected due to a disability should notify me immediately so that arrangements can be made to accommodate their needs in consultation with the Henry and Lucy Moses Center for Students with Disabilities (<http://www.nyu.edu/csd/>).

I will make every effort to start and end class on time. If you arrive late, please enter quietly without disturbing the rest of the class. While in class, please be courteous to your fellow classmates and me. During lectures and discussions only one person should speak at a time. I encourage you to ask questions of your fellow students and me. I consider a good question as valuable as a good answer. In lectures, it is difficult to ask good questions unless you already have some familiarity with the material. Therefore, you should do the required reading before the relevant class session. Laptops, cell phones, Smartphones and other electronic devices are a disturbance to both students and professors. All electronic devices must be turned off prior to the start of each class meeting.

I am available during the office hours listed at the beginning of the syllabus. If I have to cancel office hours, I will try to make an announcement both in class and on Blackboard. If you cannot make it at these times, you can make an appointment to see me at another time. I am usually in the office every day. You can also take a chance and just drop by my office. However, even if I am in my office, I may have to turn you away if I am busy.

Grading Policy

The final grade will be calculated as follows:

Class participation	5%
Problem sets	10%
Cases	10%
Quizzes	40%
Final exam	35%

At NYU Stern we seek to teach challenging courses that allow students to demonstrate differential mastery of the subject matter. Assigning grades that reward excellence and reflect differences in performance is important to ensuring the integrity of our curriculum. As such, following departmental guidelines, grades for this course will follow approximately the following distribution:

A's (A/A-)	25-35%
B's (B+/B/B-)	50-70%
C's and below	5-15%

Note that while we use these ranges as a guide, the actual distribution for this course will depend upon how well the class actually performs in the course.

Course Outline

The problem sets and cases are listed in the session when they are due (see the last page for dates). BH refers to Bekaert and Hodrick, **International Financial Management**. Readings should be done prior to the class session in which the material is discussed. Any changes to this schedule will be announced in class and on Blackboard.

<u>Session</u>	<u>Date</u>	<u>Topics</u>	<u>Assignments</u>
1	Tues., Sept. 4	Introduction	
2	Thurs., Sept. 6	International Finance The Foreign Exchange Market	BH: Chap. 1 (skim), 2.1-2.3, 2.5
3	Tues., Sept. 11	Forward Markets Exchange Rate Risk	BH: Chap. 3
4	Thurs., Sept. 13	Exchange Rate Systems	BH: Chap. 5
5	Tues., Sept. 18	Exchange Rate Determination I: Covered Interest Parity	BH: Chap. 6 Problem Set #1
6	Thurs., Sept. 20	Exchange Rate Determination II: Uncovered Interest Parity	BH: Chap. 7
7	Tues., Sept. 25		Case: Baker Adhesives
8	Thurs., Sept. 27	Exchange Rate Determination III: Purchasing Power Parity	BH: Chap. 8
9	Tues., Oct. 2	Exchange Rate Forecasting	BH: Chap. 10 Problem Set #2
10	Thurs., Oct. 4	Quiz #1	Study
11	Tues., Oct. 9	International Capital Markets I: International Debt Financing	BH: Chap. 11
12	Thurs., Oct. 11	International Capital Markets II: International Equity Financing	BH: Chap. 12
	Tues., Oct. 16	NO CLASS	
13	Thurs., Oct. 18		Case: Carrefour
14	Tues., Oct. 23	International Capital Markets III: Equilibrium	BH: Chap. 13
15	Thurs., Oct. 25	International Investments	
16	Tues., Oct. 30	Currency Futures and Options	BH: 20.1, 20.3, 20.5 Problem Set #3
17	Thurs., Nov. 1	Swaps	BH: Chap. 21
18	Tues., Nov. 6	Risk Management I: Real Exchange Risk	BH: Chap. 9
19	Thurs., Nov. 8	Risk Management II: The Hedging Decision	BH: Chap. 17
20	Tues., Nov. 13	Risk Management III: Futures and Options	BH: 20.2, 20.4 Problem Set #4
21	Thurs., Nov. 15	Quiz #2	

<u>Session</u>	<u>Date</u>	<u>Topics</u>	<u>Assignments</u>
22	Tues., Nov. 20	Country and Political Risk	BH: Chap. 14
	Thurs., Nov. 22	NO CLASS (Thanksgiving)	
23	Tues., Nov. 27		Case: AIFS
24	Thurs., Dec. 29	Cost of Capital	BH: Chap. 13 (revisited)
25	Tues., Dec. 4	Capital Budgeting I	BH: Chap. 15
26	Thurs., Dec. 6	Capital Budgeting II	BH: Chap. 16
27	Tues., Dec. 11	Other Topics in International Corporate Finance	Problem Set #5
28	Thurs., Dec. 13	Review	Study!

Assignment Due Dates

Assignments (problem sets, cases, exams) are due on the following dates. Problem sets and cases are due before the end of the corresponding class session. Assignments that are late, but within 24 hours of the deadline, will receive ½ credit. After 24 hours no assignments will be accepted (unless due to documented serious illness or family emergency). There will be no make-up exams. Any changes to this schedule will be announced in class and on Blackboard.

<u>Assignment</u>	<u>Due Date</u>
Problem Set #1	Tues., Sept. 18
Case: Baker Adhesives	Tues., Sept. 25
Problem Set #2	Tues., Oct. 2
Quiz #1	Thurs., Oct. 4
Case: Carrefour	Thurs., Oct. 18
Problem Set #3	Tues., Oct. 30
Problem Set #4	Tues., Nov. 13
Quiz #2	Thurs., Nov. 15
Case: AIFS	Tues., Nov. 27
Problem Set #5	Tues., Dec. 11
Final Exam	Section 1 Tues. 12/18, 8-9:50am Section 2 Tues. 12/18, 2-3:50pm