

Department:	Economic and Finance
--------------------	-----------------------------

Course Name:	International Finance	Course No.:	FIN 622
Prerequisite:	N/A	Credit Hours:	3

Brief Description:

The course provides students with a thorough understanding of Financial Management in an international setting, with an emphasis both on micro and macros aspects of financial management. This is achieved through comprehensive coverage of topics including current multinational financial challenges, ownership and governance of the corporation, the international monetary system, the balance of payments, the recent international financial and sovereign debt crises, the foreign exchange market, international parity conditions, currency derivatives, exchange rate determination and forecasting, foreign exchange risk exposures and management, the global cost of capital, international debt and equity financing, international working capital management and capital budgeting, international portfolio theory and foreign direct investment.

Course Objectives:

After completion of this course the student will be able to:

1. Demonstrate an understanding of both the macro and micro aspects of international financial management
2. Apply tools of international financial management to solve and manage issues facing the corporation and an open economy.
3. Demonstrate analytical and computational skills necessary to face the challenges in the world of international financial management
4. Demonstrate critical thinking skills in evaluating finance cases and interpreting the findings of empirical studies conducted in the areas of international finance.

Course Topics:

1. Current multinational financial challenges
2. Ownership and governance of multinational corporations
3. The international monetary system
4. The balance of payments and international economic linkages
5. Spot and forward foreign exchange markets
6. Currency futures and options markets
7. Currency and interest rate swaps
8. International parity conditions
9. Exchange rate determination and forecasting
10. Foreign exchange risk management
11. The global cost of capital and international capital budgeting
12. International financial
13. International portfolio management and foreign direct investment

Text Book:

1. Eiteman, D. K., Stonehill, A. I and Moffett, M. H. (2019), Multinational Business Finance, 15th edition, Pearson.

Additional References:

2. Moosa, I. A. (2010), International Finance: An Analytical Approach, 3rd edition, McGraw Hill, 2010.
3. Shapiro, A. C. (2019), Multinational Financial Management, 11th Edition, John & Wiley Sons.
4. Moosa and Bhatti (2010), The Theory and Empirics of Exchange Rates, World Scientific Publishing Company.
5. Moosa and Bhatti (1997), International Parity Conditions: Theory, Econometric Testing and Empirical Evidence, MacMillan

Online Resources:

- Journal Articles on international parity conditions and exchange rate determination
- Case Studies in Finance such as Group Ariel S.A.: Parity Conditions and Cross-border valuation (4914, April 19, 2010), The Financial Crisis of 2008 (Harvard Business School, 9-709—036, Dec 16, 2008) and The Euro Zone and the Sovereign Debt Crisis (Darden Business Publishing University of Virginia)
- Bloomberg Data Terminal

Extra credit for

- Submission of solution for two finance cases on cost of capital estimation and economic value added: as Group Ariel S.A.: Parity Conditions and Cross-border valuation (4914, April 19, 2010)

5

15th

✖

Measurement & Assessment Tools:

Objectives			Obj 1.1 &1.2	Obj 2.1&2.2	Obj 3.1
Assessment tools	Grade	Week (Time period)	1	2	3
Assignment/Case study	10	4-8 th			✖
Midterm	25	10 th	✖		
Oral Presentation	10	12 th		✖	
Project	15	15 th		✖	
Final exam	40	As Dated	✖		
Total	100				
	5	15 th	✖		

Tentative Course Outline:

Week	Hours	Topics	Readings
1	3	Current multinational financial challenges: financial globalization and risks, global financial marketplace, theory of comparative advantage, what is different about international financial management, why do firms become multinational, globalization and evolution of the multinational corporations and multinational	Chapter 1

		,enterprises	
2	3	Ownership and governance of the corporation: ownership of the international corporation, the goal of management; shareholder wealth maximization model and stakeholder capitalism model, publicly traded vs privately held corporations and corporate governance	Chapter 2
3	3	The international monetary system: the evolution of the international monetary system and exchange rate arrangements, the European single currency and sovereign debt crisis	Chapter 3
4	3	The balance of payments and international economic linkages: balance of payments structure and transactions, the relationship between balance of payments and national income accounts, and balance of payment and foreign exchange market, factors affecting current and capital account and the role of currency depreciation and the J-curve effect	Chapter 4
5	3	The foreign exchange market: organization, the participants and size, spot and forward rate quotations and forward premium and discount, and currency arbitrage	Chapter 6
6-7	6	International parity conditions: the law of one price and purchasing power parity, covered interest parity, uncovered interest parity, real interest parity, unbiased efficiency hypothesis	Chapter 7
8-9	6	Exchange rate determination and forecasting: exchange rate determination, purchasing power parity hypothesis, traditional flow flexible price monetary and sticky price monetary models of exchange rates. fundamental and technical forecasting models of exchange rates	Chapter 8
10	3	Currency futures and options: futures contracts, forwards and futures contracts, reading option strategies, option pricing and valuation, the Black-Scholes model and put-call option interest parity	Chapter 9
11-12	6	Foreign exchange risk management: alternative measures of foreign exchange exposures, transaction exposure, translation exposure and operating exposure, alternative currency transaction methods, designing hedging strategies, managing transaction exposure; forward market, money market and option hedging, risk-sharing, cross-hedging, measuring and economic exposure	Chapters 10-12
13	3	The global cost of capital and international capital budgeting: the weighted average cost of foreign investment, discount rate for foreign investment and evaluation of foreign investment projects	Chapters 13
14	3	International financing: corporate sources and uses of funds, international debt and equity financing	Chapter 14
15	3	International portfolio management and foreign direct investment: risk and return international equity investing, international portfolio diversification, and foreign direct investment	Chapter 16

Approved by Dept. Chair:

Dr Fahad Al Mohaimeed

Date of Approval:

.....

Extra Information: (Updated every semester and filled by course instructor)

Course Instructor:

Dr Razzaque H Bhatti

Office No:

.....

Extension:

Email:

bhatti.razzaque@gmail.com

Office Hours: