

MACQUARIE  
UNIVERSITY



FACULTY OF  
BUSINESS AND ECONOMICS

**ECON 867**  
**INTERNATIONAL FINANCIAL MANAGEMENT**  
Semester 2, 2009  
Unit Outline

**Lecturer in Charge: Dr. George Milunovich**

Students should read this outline carefully at the start of semester. If you have any questions regarding the contents of the outline contact the lecturer-in-charge as soon as possible.

## 1. Course Overview

The focus of ECON867 is to provide the student with a thorough introduction to the analytical tools required by a financial manager to operate in the international business environment. This includes developing a full understanding of the foreign exchange market and its operation; the relationships between exchange rates, interest rates, and price levels; the financial instruments that facilitate the conduct of international corporate activity, including currency risk management; and how international corporations make financing and investment decisions.

## 2. Teaching Program

Lecturer	Class Times and Locations	Office Hours:
Dr. George Milunovich Office: E4A 443 Phone: 9850 8543 <a href="mailto:george.milunovich@mq.edu.au">george.milunovich@mq.edu.au</a>	Attend <b>ONE</b> of the following two:  Wed 18:00 – 21:00 E6A 131 or Thu 11:00-14:00 E7B T3	Building E4A Office 443  Mondays 10:00-12:00 Tuesdays 17:00-18:30

The class sessions will be conducted typically conducted as lectures, with practical examples and problems introduced where appropriate.

The text for this class is:

Eiteman, David; Stonehill, Arthur; Moffett, Michael (2007)  
Multinational Business Finance, **Eleventh (international) Edition**  
Pearson Addison Wesley Inc., Boston.

Set chapters for each topic's lecture are drawn from this text and identified in the lecture topic table below. Students should read these chapters prior to the lecture, so that they are familiar with the material to be covered. This will greatly enhance your learning experience. An additional resource is the textbook webpage that contains solutions for selected end-of-chapter problems, internet exercises, a glossary and other additional information. This site may be accessed at <http://www.aw-bc.com/eiteman>.

Three other texts that will be used, and which may be found in the library are:

- Berk, Johathan and DeMarzo, Peter (2006)  
Corporate Finance – The Core
- Solnik, Bruno and McLeavey, Dennis (2009)  
Global Investments, 6<sup>th</sup> edition

### 3. Course Calendar

Topic/ week No.	Date	Topic	Chapters
1	5/6 August	Comparative Corporate Governance and Financial Goals + Revision of Other Material You Should Know from Undergrad Studies (covered in Berk and DeMarzo Chapters 1, 2, 3)	1 + other material provided
2	12/13 August	The Foreign Exchange Market International Monetary System The Balance of Payments	6, 2 & 3
3	19/20 August	International Parity Conditions Foreign Exchange Determination and Forecasting	4 5
4	26/27 August	Valuation of Financial Options Foreign Currency Derivatives	7 + other material provided
5	2/3 September	Valuing Bonds Valuing Stocks	Material provided
6	9/10 September	Transaction Exposure Operating Exposure	8 9
7	16/17 September	<b>Mid-semester test</b> (one hour duration)	
<b>Mid-semester Break</b>			
8	7/8 October	Capital Structure Global Cost and Availability of Capital	11 + other material provided
9	14/15 October	Financial Structure and International Debt Interest Rate and Currency Swaps	13 14
10	21/22 October	Capital Markets and the Pricing of Risk Optimal Portfolio Choice	Material Provided
11	28/29 October	The Capital Asset Pricing Model Alternative Models of Systematic Risk International Portfolio Theory and Diversification	15 + other material provided
12	4/5 November	Foreign Direct Investment Theory and Management, Political Risk Assessment and Management, Cross-Border Mergers, Acquisitions, and Valuation	16&17&19
13			

### 4. Important Dates for the Semester

Mid-semester test: **Week 7** (to be held in our usual classroom).

Mid-semester break: **21 September – 2 October**

Assignment is due: **12 November** (hardcopies to be submitted to boxes provided in

Final exam: BESS + electronic copies emailed to  
george.milunovich@mq.edu.au  
**Sometime between November 18 and December 5**  
will be announced when the official university examination  
timetable becomes available.

## 5. Course Assessment

Assessment will be based on participation in online discussions, a semester assignment, a mid-semester test and an examination, with the following weights:

Participation in Online Discussions	5%
Tutorial Presentation	5%
Assignment	15%
Mid-semester test	15%
Examination	60%

**The final exam MUST be passed for you to gain a passing mark in this unit.**

- **ONLINE DISCUSSIONS**

Points will be awarded only for relevant discussions on Topics 1 – 12 using the following formula:  $(\text{Number of Topics Discussed}/12)*5\%$ . You have two weeks following the topic's week to post your discussion.

- **MID-SEMESTER TEST**

The mid-semester test will be a multiple choice quiz of one hour duration. It will cover everything taught up to and *including* **Topic 4 “Foreign Currency Derivatives”**.

### **ASSIGNMENT - NO LATE SUBMISSIONS WILL BE ACCEPTED!**

The specific essay topic will be provided in a separate handout, on the unit homepage. The assignment is to be submitted by **November 12** to the ECON867 boxes in BESS (E4B) as well as emailed to me.

The essay must be submitted using the official cover sheet, with the plagiarism declaration (available on the unit homepage) **signed**. It is your responsibility to keep a dated, witnessed copy of your assignment in the case of any mishandling.

- **FINAL EXAM**

It will consist of both multiple choice and long-answer questions and will be set over a two-hour duration.

In addition to the assignment, mid-semester test, and the exam there will be weekly problems assigned, which you are recommended to solve. You will not be required to submit these solutions and they will not be marked. *Nevertheless, you should take the time to work on the problem sets, since they will tend to be similar in nature to the problems you see on the test and exam.* Solutions will be provided for the assigned selected questions.

## 6. Learning Outcomes

The globalization of financial markets offers opportunities but it also introduces new risks. As a response, novel investment techniques and market as well as credit risk management models have been introduced or are in the development stage. This unit, will help you manage, and keep abreast of, changes which will accompany you in your future professional career.

**Generic Skills:** Dealing with advanced material in our subject area requires a range of generic skills. This unit aims at developing such skills. The lectures and in particular the assignment are tailored to enhance critical analysis, problem-solving and creative thinking, comprehension, computing and writing skills. Class discussions promote verbal expression while contributions to the *Bulletin Board* improve your writing skills, which through email serve as an increasingly important communication medium. However, you will only acquire these skills by attending classes, immersing yourself into solving the assignment questions and participating in verbal and written class debates.

## 7. Plagiarism

The University defines plagiarism in its rules: “Plagiarism involves using the work of another person and presenting it as one’s own.” Plagiarism is a serious breach of the University’s rules and carries significant penalties. You must read the University’s practices and procedures on plagiarism. These may be found in the *Handbook of Undergraduate Studies* or on the web at : <http://www.student.mq.edu.au/plagiarism/>

The policies and procedures explain what plagiarism is, how to avoid it, the steps that will be taken in cases of suspected plagiarism, and the penalties if you are found guilty. Penalties may include a deduction of marks, failure in the unit, and/or referral to the University Discipline Committee.

## 8. University Policy on Grading

The Academic Senate has a set of guidelines on the distribution of grades across a range from fail to high distinction. Your final result will include one of these grades plus a standardized numerical grade (SNG).

On occasion your raw mark for a unit (i.e., the total of your marks for each assessment item) may not be the same as the SNG which you receive. Under the Senate guidelines, results may be scaled to ensure that there is a degree of comparability across the university, and so that students with similar performances compared with past students should achieve similar results.

It is important that you realize that the policy does not require that a minimum number of students be failed in any unit. In fact, it does something like the opposite,

requiring examiners to explain their actions if more than 20% of the students fail a unit. The process of scaling does not change the order of marks among students. A student who receives a higher raw mark than another student will also receive a higher final scaled mark.

For an example of the policy see

<http://www.mq.edu.au/senate/MQUonly/Issues/Guidelines2003.doc> or  
<http://www.mq.edu.au/senate/MQUonly/Issues/detailedguidelines.doc>

## **9. Student Support Services**

Macquarie University provides a range of Academic Student Support Services. Details of these can be accessed at <http://www.student.mq.edu.au>.