

MACQUARIE
UNIVERSITY



FACULTY OF
BUSINESS AND ECONOMICS

ECON 867
International Financial
Management

Semester 1, 2011

*Department of Applied Finance and Actuarial
Studies*

**MACQUARIE UNIVERSITY
FACULTY OF BUSINESS AND ECONOMICS
UNIT GUIDE**

Year and Semester: 2011, S1
Unit convenor: Damian Bridge
Credit points: 4

Students in this unit should read this unit guide carefully at the start of semester. It contains important information about the unit. If anything in it is unclear, please consult one of the teaching staff in the unit.

ABOUT THIS UNIT

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.

TEACHING STAFF

Lecturer	Class Times and Locations	Office Hours:
Mr. Damian Bridge Office: E4A Phone: damian.bridge@inet.net.au	Thu 18:00 – 21:00 E7B T3 Fri 17:00 – 20:00 C5A 226	TBA

CONSULTATION TIMES

You are encouraged to seek help at a time that is convenient to you from a staff member teaching on this unit during their regular consultation hours. In special circumstances, an appointment may be made outside regular consultation hours. Staff will not conduct any consultations by email. You may, however, phone staff during their consultation hours.

In order to gain access to staff located at levels 1, 2 and 3 of building E4A during their consultation hours please ring the staff member from the phones available in the

lobby (phone numbers of relevant staff members will be provided on Blackboard and are available next to the phones).

Students experiencing significant difficulties with any topic in the unit must seek assistance immediately.

CLASSES

- The class sessions will be typically conducted as lectures (2 hour lecture and one hour tutorial), with practical examples and problems introduced where appropriate.
- The timetable for classes can be found on the University web site at: <http://www.timetables.mq.edu.au/>

PRIZES

- Information on applicable prizes can be found at http://www.businessandconomics.mq.edu.au/undergraduate_degrees/prizes_scholarships

REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

The text for this class is:

Eiteman, David; Stonehill, Arthur; Moffett, Michael (2010) – ‘ES’
Multinational Business Finance, 12th 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>.

The other text that will be used, and which may be found in the library is:

- Berk, Johathan and DeMarzo, Peter (2011) – ‘B’
Corporate Finance, Pearson, 2nd edition

The textbook can be purchased from the Macquarie University Co-op Bookshop. Copy of the textbook and the other texts are available in the Macquarie Library.

COURSE STRUCTURE AND TOPICS

Week No.	Date (Week Beginning)	Topic	Chapters
1	21 February	Comparative Corporate Governance and Financial Goals + Revision (covered in Berk and DeMarzo Chapters 1, 2, 3)	ES: 1, 2 B: 1, 2, 3
2	28 February	The Foreign Exchange Market International Monetary System The Balance of Payments	ES: 3, 4, 6
3	7 March	International Parity Conditions Foreign Exchange Determination and Forecasting	ES: 7, 10
4	14 March	Valuation of Financial Options Foreign Currency Derivatives	ES: 8 B: 20-21
5	21 March	Valuation of Financial Options Foreign Currency Derivatives	ES: 8 B: 20-21
6	28 March	Transaction Exposure Operating Exposure	ES: 11, 12
7	4 April	Mid-semester test (one hour duration)	
Mid-semester Break			
8	25 April	Capital Markets and the Pricing of Risk	ES: 14 B: 14
9	2 May	Optimal Portfolio Choice The Capital Asset Pricing Model	B: 10, 11
10	9 May	Financing the Global Firm	ES: 14, 15, 16
11	16 May	Global cost and availability of capital International portfolio theory and diversification	ES: 17 B: 11, 12
12	23 May	Foreign Investment Decisions	ES: 18, 19
13	30 May	Revision	

IMPORTANT DATES

Early-semester test:	Week 4 (to be held in the lecture room).
Mid-semester test:	Week 7 (to be held in the lecture room).
Mid-semester break:	11 April – 26 April
Assignment is due:	3 June (hardcopies to be submitted to boxes provided in BESS or handed in class)
Final exam:	The 2-hour final examination for this unit will be held during the University Examination period. The University Examination period in First Half Year 2011 is from 6 June 2011 to 24 June 2011.

ASSESSMENT

Assessment will be based on tutorial questions, a semester assignment, a mid-semester test and an examination, with the following weights:

Tutorial problems	5%
Group assignment	15%
Mid-semester test (25 MC)	20%
Examination	60%

- **TUTORIAL PROBLEMS**

Points will be awarded only for handing in solutions to tutorial problems on the day of the tutorial. Tutorial answers will be collected 5 times during the semester at random intervals. Late submissions will not be accepted. 1% will be awarded for every submission completed and handed in when due.

- **MID-SEMESTER TEST**

The mid-semester test will be a multiple choice quiz of one hour duration. It will contain 25 multiple choice questions and cover everything taught up to and *including* **Week 5 “Foreign Currency Derivatives”**.

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

The topic (max. 2,500 words) will be posted on blackboard, along with some reference literature. The assignment is to be submitted by **June 3** to the ECON867 boxes in BESS (E4B) or handed in after the lecture.

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 written problem questions and will be set over a two-hour duration.

TECHNOLOGY USED AND REQUIRED

- Students will require access to the internet to download lecture slides and tutorial solutions.
- The textbook also contains applicable online resources that must be accessed by the internet
- The assignment will require the use of word processing and/or spreadsheet programs.

UNIT WEB PAGE

- Course material is available on the learning management system (BlackBoard)
- There is no web page for this unit.

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.

The learning outcomes of this unit are:

- 1 Demonstrate and understanding of the concepts and processes of International Financial Markets
- 2 Understand foreign exchange markets and what drives exchange rate determination
- 3 Value, describe and evaluate Financial and Foreign Currency Derivatives
- 4 Understand and explain the concepts of transaction and operating exposures in international markets
- 5 Understand the concepts of portfolio creation and international finance
- 6 Analyse the issues surrounding the global availability of capital in the context of International Portfolio Theory

GRADUATE CAPABILITIES

In addition to the discipline-based learning objectives, all academic programs at Macquarie seek to develop the capabilities the University's graduates will need to develop to address the challenges, and to be effective, engaged participants in their world.

This unit contributes to this by developing the following graduate capabilities:

1. Application of Finance Theory to International Markets
2. Ability to analyse situations from an International Finance perspective
3. Critically analyse current and historical issues in International Finance
4. Use of Integrative thinking to understand the role that International Finance has in Corporate Finance.
5. Solve problems relevant to Finance from an International Finance perspective.

TEACHING AND LEARNING STRATEGY

Each lecture is self-contained and structured according to the summary provided in the “Course structure and topics” section above. Students are expected to read the

relevant chapters prior to the lecture, so that they are familiar with the material to be covered. This will greatly enhance your learning experience.

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.

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.

RESEARCH AND PRACTICE

- This unit gives you opportunities to conduct your own research

RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES

A one hour in class multiple choice test will be conducted in week 4. The purpose of this test is to allow students to assess their progress and identify those students that are struggling with the subject matter. Where students are identified as being at risk they shall be invited to meet with their lecturer to discuss actions that will be implemented to address any issues.

	Tutorial problems	Assignment	Mid-semester test	Final exam
Due date	Weekly	3 June	Week 7	TBA
% Weighting	5% (total)	15%	20%	60%
Grading method	Frequency of participation	Against assessment criteria, analysis, judgement, recommendations	Multiple choice.	Multiple choice and written answers
Submission method	In Class	In class or at BESS	In Class Exam	Centrally conducted Examination
Feedback (<i>type, method, date</i>)	Nil	Assignments and comments returned to students	Exams returned to students.	N/A

	Tutorial problems	Assignment	Mid-semester test	Final exam
Estimated student workload (hours)	11	15	1	2
Learning outcomes assessed				
1	x	x	x	x
2	x	x	x	x
3	x	x	x	x
4	x	x		x
5	x	x		x
6	x	x		x
Graduate capabilities assessed				
1	x	x	x	x
2	x	x	x	x
3	x	x	x	x
4	x	x	x	x
5	x	x	x	x

The **group assignment** is to be submitted by **June 3** to the ECON867 boxes in BESS (E4B) or handed in after the lecture. No extension is available. 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

Attendance: there is no compulsory attendance requirement for the unit.

Examinations: a final examination is included as an assessment task for this unit to provide assurance that:

- i) the product belongs to the student and
- ii) the student has attained the knowledge and skills tested in the exam.

The 2-hour final examination for this unit will be held during the University Examination period. The University Examination period in First Half Year 2011 is from 6 June 2011 to 24 June 2011.

You are expected to present yourself for examination at the time and place designated in the University Examination Timetable. The timetable will be available in Draft form approximately eight weeks before the commencement of the examinations and in Final form approximately four weeks before the commencement of the examinations.

<http://www.timetables.mq.edu.au/exam>

The only exception to not sitting an examination at the designated time is because of documented illness or unavoidable disruption. In these circumstances you may wish to consider applying for Special Consideration. The University's policy on

special consideration process is available at
http://www.mq.edu.au/policy/docs/special_consideration/policy.html

If a Supplementary Examination is granted as a result of the Special Consideration process the examination will be scheduled after the conclusion of the official examination period. (Individual Faculties may wish to signal when the Faculties' Supplementary Exams are normally scheduled.)

The Macquarie university examination policy details the principles and conduct of examinations at the University. The policy is available at:
<http://www.mq.edu.au/policy/docs/examination/policy.htm>

ACADEMIC HONESTY

The nature of scholarly endeavour, dependent as it is on the work of others, binds all members of the University community to abide by the principles of academic honesty. Its fundamental principle is that all staff and students act with integrity in the creation, development, application and use of ideas and information. This means that:

- all academic work claimed as original is the work of the author making the claim
- all academic collaborations are acknowledged
- academic work is not falsified in any way
- when the ideas of others are used, these ideas are acknowledged appropriately.

Further information on the academic honesty can be found in the Macquarie University Academic Honesty Policy at
http://www.mq.edu.au/policy/docs/academic_honesty/policy.html

GRADES

Macquarie University uses the following grades in coursework units of study:

HD - High Distinction
D - Distinction
CR - Credit
P - Pass
F - Fail

Grade descriptors and other information concerning grading are contained in the Macquarie University Grading Policy which is available at:
<http://www.mq.edu.au/policy/docs/grading/policy.html>

All final grades in the Department of Applied Finance and Actuarial Studies are determined by a grading committee and are not the sole responsibility of the Unit Coordinator.

Macquarie University's Academic Senate has a set of guidelines on the distribution of grades across the range from fail to high distinction. Your final result will include one of these grades plus a Standardised Numerical Grade (SNG).

The Standardised Numerical Grade (SNG) is not a summation of the individual assessment components.

To be awarded a specific grade, students are required to perform at an equivalent standard in the final examination and the overall assessment mark in the unit.

Please also refer to relevant pages in the Handbook of Postgraduate Studies.

GRADING APPEALS AND FINAL EXAMINATION SCRIPT VIEWING

If, at the conclusion of the unit, you have performed below expectations, and are considering lodging an appeal of grade and/or viewing your final exam script please refer to the following website which provides information about these processes and the cut off dates in the first instance. Please read the instructions provided concerning what constitutes a valid grounds for appeal before appealing your grade.

http://www.businessandconomics.mq.edu.au/new_and_current_students/undergraduate_current_students/how_do_i/grade_appeals

SPECIAL CONSIDERATION

The University is committed to equity and fairness in all aspects of its learning and teaching. In stating this commitment, the University recognises that there may be circumstances where a student is prevented by unavoidable disruption from performing in accordance with their ability. A special consideration policy exists to support students who experience serious and unavoidable disruption such that they do not reach their usual demonstrated performance level. The policy is available at: http://www.mq.edu.au/policy/docs/special_consideration/procedure.html

STUDENT SUPPORT SERVICES

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

IT CONDITIONS OF USE

Access to all student computing facilities within the Faculty of Business and Economics is restricted to authorised coursework for approved units. Student ID cards must be displayed in the locations provided at all times.

Students are expected to act responsibly when utilising University IT facilities. The following regulations apply to the use of computing facilities and online services:

- Accessing inappropriate web sites or downloading inappropriate material is not permitted. Material that is not related to coursework for approved unit is deemed inappropriate.
- Downloading copyright material without permission from the copyright owner is illegal, and strictly prohibited. Students detected undertaking such activities will face disciplinary action, which may result in criminal proceedings.

Non-compliance with these conditions may result in disciplinary action without further notice.

Students must use their Macquarie University email addresses to communicate with staff as it is University policy that the University issued email account is used for official University communication.