AFIN867
International Financial Management

Semester 1, 2012

Department of Applied Finance and Actuarial Studies
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 unit is concerned with the analytical techniques of international finance and investment. Topics include global flow of funds and international financial markets, foreign exchange markets, interest parity and arbitrage, purchasing power parity, hedging of foreign currency risks, futures and options.

**TEACHING STAFF**

- Convenor – Damian Bridge (damian.bridge@mq.edu.au)

**CONTACTING STAFF**

*Lecturer can be contacted during class time or by email to arrange an appointment.*

- *Consultation will be conducted between 12pm and 2pm on Thursdays in room E4B104.*

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 consultations by email.

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

**CLASSES**

- Students should attend one 3 hour class per week.
• The timetable for classes can be found on the University web site at:
  http://www.timetables.mq.edu.au/

PRIZES

• Prizes for this unit (if applicable).
  http://www.businessandeconomics.mq.edu.au/undergraduate_degrees/prizes_scholarships

REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

• International Financial Management: International Edition, 2E, Bekaert & Hodrick,

• 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.

• Required texts can be purchased from the Macquarie University Co-op Bookshop.

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 (iLearn)

• 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. Understand and appreciate changes in the global financial market that impact on
   international financial management.
2. Demonstrate an understanding of new investment techniques, markets and risk management models.

3. Critically evaluate advanced concepts relating to foreign exchange, financial derivatives, transaction exposure, capital structure and 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.

LEARNING AND TEACHING ACTIVITIES

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. However, you will only acquire these skills by attending classes, immersing yourself into solving the end of chapter assignment questions and participating in verbal 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.

Class presentations will allow you to explore a current topic in detail and present to the class and develop your presentation skills.

RESEARCH AND PRACTICE
- This unit gives you opportunities to conduct your own research

**RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES**

The one hour **Class Test** is a multiple choice test that 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.

**Presentations** will start in week 5. Students are expected to work in groups of between 2 and 3 and present on a current issue in International Financial Management. Students will be expected to answer questions from the lecturer and fellow students as well as propose questions. The lecturer can assist in topic selection but this is a free choice exercise. Presentations should be made using powerpoint and all members must contribute. Team members will be asked to allocate the percentage each team member contributed.
<table>
<thead>
<tr>
<th></th>
<th>Class Test</th>
<th>Assignment</th>
<th>Presentation</th>
<th>Final exam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due date</td>
<td>Week 4</td>
<td>31 May</td>
<td>Week 5 Onwards</td>
<td>TBA</td>
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<tr>
<td>% Weighting</td>
<td>15%</td>
<td>15%</td>
<td>10%</td>
<td>60%</td>
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<tr>
<td>Grading method</td>
<td>Exam</td>
<td>Against assessment criteria, analysis, judgement, recommendations</td>
<td>Class Presentation &amp; Slide Submission</td>
<td>Exam</td>
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<tr>
<td>Submission method</td>
<td>In Class Exam</td>
<td>In class or at BESS</td>
<td>In class</td>
<td>Centrally conducted Examination</td>
</tr>
<tr>
<td>Feedback (type, method, date)</td>
<td>Nil</td>
<td>Assignments and comments returned to students</td>
<td>In class and written</td>
<td>N/A</td>
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<tr>
<td>Estimated student workload (hours)</td>
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<td>15</td>
<td>5</td>
<td>2</td>
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<tr>
<td>Learning outcomes assessed</td>
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<td></td>
<td>Class Test</td>
<td>Assignment</td>
<td>Presentation</td>
<td>Final exam</td>
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<td>6</td>
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<td>X</td>
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<tr>
<td>Graduate capabilities assessed</td>
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<td>X</td>
<td>X</td>
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</tbody>
</table>

The **group assignment** is to be submitted by **4pm Thursday 31st May 2012** to the AFIN867 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. Team members will be asked to allocate the percentage each team member contributed.

**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 final examination for this unit will be held during the University Examination period.
The final exam will be a two hour written examination.

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://exams.mq.edu.au/

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:  

**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.businessandeconomics.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/policy.html  

**STUDENT SUPPORT SERVICES**  
Macquarie University provides a range of Academic Support Services. Details of these and other services for students 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 using 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 units 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.
## COURSE STRUCTURE AND TOPICS

<table>
<thead>
<tr>
<th>Week No.</th>
<th>Date (Week Beginning)</th>
<th>Topic</th>
<th>Chapters</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>27 February</td>
<td>Globalization and the multinational corporation</td>
<td>1, 2</td>
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<tr>
<td></td>
<td></td>
<td>The Foreign Exchange Market</td>
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<tr>
<td>2</td>
<td>5 March</td>
<td>Forward Markets and Transaction Exchange Risk</td>
<td>3, 4 &amp; 5</td>
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<tr>
<td></td>
<td></td>
<td>The Balance of Payments</td>
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<td></td>
<td>Exchange Rate Systems</td>
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<tr>
<td>3</td>
<td>12 March</td>
<td>Interest Rate Parity</td>
<td>6 &amp; 8</td>
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<tr>
<td></td>
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<td>Purchasing Power Parity</td>
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<tr>
<td>4</td>
<td>19 March</td>
<td><strong>Early Semester Test</strong></td>
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<tr>
<td>5</td>
<td>26 March</td>
<td>Exchange Rate determination, risk and forecasting</td>
<td>9 &amp; 10</td>
</tr>
<tr>
<td>6</td>
<td>2 April</td>
<td>International Financing</td>
<td>11 &amp; 12</td>
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<tr>
<td>7</td>
<td>23 April</td>
<td>International Capital Budgeting</td>
<td>15</td>
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<tr>
<td>8</td>
<td>30 April</td>
<td>Risk management and Foreign Currency Hedging Decision</td>
<td>17</td>
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<tr>
<td>9</td>
<td>7 May</td>
<td>Foreign Currency Futures and Options</td>
<td>20</td>
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<tr>
<td>10</td>
<td>14 May</td>
<td>Interest Rate and Foreign Currency Swaps</td>
<td>21</td>
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<tr>
<td>11</td>
<td>21 May</td>
<td>Financing International Trade</td>
<td>18</td>
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<tr>
<td>12</td>
<td>28 May</td>
<td>Working Capital Management</td>
<td>19</td>
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<td></td>
<td>4 June</td>
<td>Revision</td>
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Note: All chapters relate to the relevant chapter numbers in the prescribed textbook.