



**Division of Economic and Financial Studies**

**Unit Outline and References**

**ECON360 International Finance  
Second Semester 2006**

**Unit Convener**

**Professor D. J. Jüttner**

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

**ECON360 INTERNATIONAL FINANCE**  
**2006 – Second Semester**  
**Unit Outline, Teaching Staff, Assessment and References**

**I. Outline**

- Chapter 1: Global Flow of Funds and International Currency Markets
- Chapter 2: Interest Rate Parity and Arbitrage
- Chapter 3: Effective Exchange Rates and Purchasing Power Parity
- Chapter 4: Currency Swaps
- Chapter 5: Foreign Currency Options
- Chapter 6: Developing Risk Management Tools – Currency, Country and Political Risks
- Chapter 7: Market Value-at-Risk Management Models
- Chapter 8: Global Credit Risk Management – Basel II (Standardized Approach)
- Chapter 9: Management of Foreign Currency Risk Exposure
- Chapter 10: Models of Exchange Rate Determination
- Chapter 11: Forecasting Foreign Exchange Rates
- Chapter 12: Foreign Direct Investment, Taxation and Real Options

**II. Teaching Staff and Lecture-Date/Venue**

- Professor DJ Jüttner            Weeks 1 – 13
- Lecture Times and Venues
  - Monday:                    13 – 16 (Day lecture)        **X5BT1**
  - Wednesday                18 – 21 (Evening lecture) **E7BT3**
- Consultation Times:        Wednesday 9 – 12 and after ECON360 Lectures
- Tel. 9850 8481
- Fax 9850 8586
- Email [jjuttner@efs.mq.edu.au](mailto:jjuttner@efs.mq.edu.au)
- Homepage [www.econ.mq.edu.au/staff/djjuttner.htm](http://www.econ.mq.edu.au/staff/djjuttner.htm)

Questions, suggestions and discussions are to be channelled through the **Bulletin Board** on the unit's home page <http://www.econ.mq.edu.au/courses/econ360/index.htm>. In fact students are strongly encouraged to freely ask questions regarding the course material. Experience shows that students who asked questions also perform well in the unit. I am also available during my **Consultation Hours**. Don't forego the opportunity to consult your professor. Besides, at the end of your study program you might need a referee of substance for job applications. Attendance of all classes is strongly recommended for unit success. The timetable for classes can be found on the University web site at: <http://www.timetables.mq.edu.au/>

**III. Learning Outcomes in ECON360**

This unit provides students with a range of analytical tools and relevant research skills for international finance and modern risk management systems. The globalization of financial markets offers opportunities but it also entails new and enhances existing risks. As a

response, novel investment techniques and markets as well as credit risk management models have been introduced or are in the development stage. This unit helps you manage, and keep abreast of, changes which will accompany you in your future professional career.

The Lectures provide the bulk of the critical input into the learning process. Case Studies and Exercises (with Solutions) provide timely feedback during the semester. While they are not compulsory, students are encouraged to solve them independently. They test problem-solving skills, forge discipline and help establish winning study patterns.

**Generic Skills:** Naturally, dealing with novel material in a subject area requires a range of generic skills. This unit aims at developing and honing such skills. The Lectures and Case Studies are tailored to develop and enhance critical analysis, problem-solving and creative thinking, comprehension, computing and writing skills. Contributions to the *Bulletin Board* improve your email-writing dexterity which serves as an increasingly important communication medium. However, you will only acquire these skills by attending classes, immersing yourself in the lecture material and participating in verbal (class size allowing) and written class debates.

**Soft Skills:** Success in life, including in its study/professional facets, depends importantly on your so-called soft skills in areas such as oral/written communications, teamwork, self-motivation, ethics, leadership and interpersonal abilities. By joining as **study group** and by participating in other relevant aspects of the unit, you are creating opportunities for the acquisition of these important skills.

#### IV. Assessment

Students are assessed on the basis of the following:

- **Essay** (2000 word-limit) which is worth 20% of final assessment. The firm due date is **Wednesday, 4 October 2006**. Submit essay in ERIC (until closing time). The essay topic will be distributed separately.
- **Final Examination.** The final examination consists of 50 multiple-choice questions and two essay-type questions (out of six). The weight of the multiple choice part of the final is 2/3 and that of the essay-type question 1/3. **Students have to pass the final examination to pass the unit.** This implies that failure in the final examination cannot be offset by a better than pass mark in the essay.

#### *Summary of Assessment*

<b>Essay</b>	20%
<b>Final Examination</b>	80%
<b>Total</b>	<b>100%</b>

#### V. 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 can 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 procedures 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.

## VI. University Policy on Grading

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 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, so that units with the same past performances of their students should achieve similar results.

It is important that you realize that the policy does not require that a minimum number of students are to be failed in any unit. In fact it does something like the opposite, in requiring examiners to explain their actions if more than 20% of students fail in 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 will also receive a higher final scaled mark.

For an explanation 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>.

## VII. Recommended References

This unit does not rely on one particular textbook; we will use several and also rely on journal articles. Refer to the detailed list of references below. Multiple copies of all references will be made available in Library-Reserve. However, the book by Butler, K.C., 2004, *Multinational Finance*, is worthwhile buying, funds permitting. Compact lecture notes will be made available to students in hard copies and/or the unit home page. The Notes also contain the relevant references for each Chapter. In addition, **detailed Chapter Notes**, corresponding to the above-listed topics, will be made available in electronic, downloadable form. These chapters of the **Electronic Textbook** correspond closely to the overhead Lecture Notes.

The course material will be supported by the following textbooks; copies are held in Reserve.

Butler, K., 2004, *Multinational Finance*, 3<sup>rd</sup> ed., Thomson South Western, New York.

Click, R.W. and J.D. Coval, 2001, *The Theory and Practice of International Financial Management*, Prentice Hall, Upper Saddle River.

Shapiro, A. *Multinational Financial Management*, 8<sup>th</sup> ed., Wiley, 2006, chapters 16 and 17.

Jüttner, D. J., 2005, *Electronic Textbook Lecture Chapters* will be downloadable from the Unit's Homepage (not available in Reserve).

Madura, J. 2006, *International Financial Management*, 8<sup>th</sup> edition South-Western Publishing, New York.

Solnik, B. and D McLeavey 2004, *International Investments*, 5<sup>th</sup> ed., Addison Wesley, Reading Mass.

Cheol, E. and B Resnick, 2000, *International Financial Management*, McGraw-Hill, 2<sup>nd</sup> ed. Boston,

Eiteman, D., Stonehill, A. and M. Moffett, 2004, *Multinational Business Finance*, Addison Wesley, 10<sup>th</sup> ed., Reading.

Jorion, P. 2001, *Value at Risk – The New Benchmark for Managing Financial Risk..* 2<sup>nd</sup> ed. McGraw-Hill, New York.

Hull, J.R., 2003, *Options, Futures, and Other Derivatives*, 5<sup>th</sup> ed., Prentice Hall, Upper Saddle River.

Alexander, C., 2001, *Market Models: A Guide to Financial Data Analysis*, John Wiley, New York.

Alexander, C. 2000, (ed.), *Risk Management and Analysis, Volume 1: Measuring and Modelling Financial Risk*, John Wiley, Chichester; chapter 4; Volatility and Correlations, 125 – 171.

Lyons, R. K., 2001, *The Microstructure Approach to Exchange Rates*, MIT Press, Cambridge, Mass.

Rosenberg, M. R., 2003, *Exchange Rate Determination*, McGraw-Hill, New York.

Smithson, CW, 1998, *Managing Financial Risk*, 3<sup>rd</sup> ed. McGraw-Hill, New York.

Basel Committee on Banking Supervision, 2005, International Convergence of Capital Measurement and Capital Standards, Revised Framework; November .  
[www.bis.org/publ/bcbs118.pdf](http://www.bis.org/publ/bcbs118.pdf)

Basel Committee on Banking Supervision, 2005, An Explanatory Note on the Basel II IRB Risk Weight Functions, Basel July 2005 <http://www.bis.org/bcbs/irbriskweight.pdf>

Watsmore, T. and K Parramore, 1997, *Quantitative Methods in Finance*, Thomson, London.

**Unit Web Page:**

Students will be able to access the unit web page by using their normal university Student ID Number and myMQPortal Password. If you need access assistance ring 9850 4357 or 1800 063 191 or <http://online.mq.edu.au/docs/tecinf.html>