

# MACQUARIE UNIVERSITY

## Division of Economic and Financial Studies



UNIT OUTLINE  
2005 Second Semester

ECON 867  
INTERNATIONAL FINANCIAL MANAGEMENT

[http://online.mq.edu.au/SCRIPT/ECON867D/scripts/serve\\_home](http://online.mq.edu.au/SCRIPT/ECON867D/scripts/serve_home)

or go to

<http://www.econ.mq.edu.au/courses/econ867/index.htm>  
at the Economics Department, Unit Homepage for ECON867

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# ECON867

## International Financial Management

### Course Overview

The focus of ECON867 is to provide the student with a thorough introduction to the analytical tools required for 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 Program

ECON867 is offered in both day and evening modes, and this semester they are both coordinated by Ron Ripple.

The lecturing will be shared between Ron Ripple and George Milunovich.

Lecturer	Class Location	Class Time	Contact	Consultation Times
Dr. Ronald D. Ripple	E7B T5 W5A T2	Wednesday: 6-9 PM Thursday: 10 AM-1 PM	Office: C5C 364 Phone: 9850 7063 Email: rripple@efs.mq.edu.au	Tuesday: 10am-noon Wednesday: 2pm-3pm
George Milunovich			Office: C5C 337 Phone: 9850 8543 Email: gmilunov@efs.mq.edu.au	

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

The text for this class is:

Moosa, Imad A., (2004) *International Finance: An Analytical Approach*, 2<sup>nd</sup> Edition, Irwin/McGraw-Hill, Sydney.

Set chapters for each topic's lecture are drawn from this text and identified in the lecture topic table below. We will cover roughly a topic a week. Students should read these chapters prior to the lecture, so that they are familiar with the material to be covered. This should greatly enhance your learning experience.

Other reference texts addressing international financial management topics may be found in the library. A couple such references are:

Shapiro, Alan C., (2003) *Multinational Financial Management*, 7<sup>th</sup> edition, John Wiley & Sons, Inc., New York.

Eun, Cheol S. and Bruce G. Resnick, (2004) *International Financial Management*, 3<sup>rd</sup> edition, McGraw-Hill/Irwin, New York.

## Course Calendar

Topic/ week No.	The Week of:	Topic	Chapters
1	1 August	Introduction	1
2	8 August	Foreign Exchange Market, Balance of Payments, Effective Exchange rate	2 & 3
3	15 August	International Monetary System and the Eurocurrency Market	5 & 8
4	22 August	Exchange Rate Determination and Purchasing Power Parity	4 & 9
5	29 August	Exchange Rate Forecasting	12
6	5 September	<b>Mid-semester test</b> ; Covered Interest Parity, Market Efficiency, Uncovered Interest Parity	10 & 11
7	12 September	Currency Futures and Swaps	6
<b>Mid-semester Break</b>			
8	4 October	Currency Options	7
9	10 October	Foreign Exchange Risk and FX Risk Management	13
10	17 October	FX Risk Management	14
11	24 October	International Short-term Financing and Investment	15
12	31 October	International Long-term Financing and Investment	16 & 17
13	7 November	Foreign Direct Investment and capital budgeting	18

## Important Dates for the Semester

Mid-semester break is over the period of 17 September 2005 through 3 October 2005.

**The mid-semester test will be held in Week 6, in our usual classroom.**

**The examination will be held during the examination period.**

## Course Assessment

Assessment will be based on a semester assignment and an examination, with the following weights:

Essay assignment	10%
Mid-semester test	25%
Examination	65%

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

**The essay assignment is to be submitted by Friday 14 October.** The assignment is to be submitted to the ECON867 boxes in ERIC (C5C 244); you must designate whether you are enrolled in the day or evening class.

**The essay must also to be submitted electronically. The electronic submission will determine whether the essay is submitted on time; the WebCT dropbox will close at 6pm, Friday 14 October.**

The specific essay topic and the procedure for electronic submission will be provided in a separate handout, on the WebCT unit homepage.

**NO LATE SUBMISSIONS WILL BE ACCEPTED!**

The essay must be submitted using the official cover sheet, with the plagiarism declaration **signed**. You should keep a dated, witnessed copy of your assignment in the case of any mishandling. This is YOUR responsibility.

**The Examination:** 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 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.

An additional resource is the McGraw-Hill webpage set up to support the Moosa textbook. This site may be accessed at [www.mhhe.com/au/moosa2e](http://www.mhhe.com/au/moosa2e). The textbooks contain a card with a registration code that gives you access to the materials on this site. One useful resource on this site is a set of interactive problems, with answers. This facility is labelled *Revision with MaxMark*. These problems will provide additional practice and insights into the material in this unit.

## **Assignment**

The semester assignment is a 2000 word essay. The details of the essay topic are covered in a separate handout.

## **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 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.

## **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, in 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>

## **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>.