

**MACQUARIE UNIVERSITY  
DIVISION OF ECONOMIC AND FINANCIAL STUDIES**

**ECON360 – INTERNATIONAL FINANCE  
Second Semester 2007**

**UNIT OUTLINE**

**I. Outline**

|             |  |                 |
|-------------|--|-----------------|
| Lecture 1:  | Overview on International Financial Management<br>International Flow of Funds                      | Chapter 1 - 2   |
| Lecture 2:  | International Financial Markets<br>Exchange Rate Determination                                     | Chapter 3 - 4   |
| Lecture 3:  | Currency Derivatives   | Chapter 5       |
| Lecture 4:  | Exchange Rate Behavior – Government Influence,<br>International Arbitrage and Interest Rate Parity | Chapter 6 - 7   |
| Lecture 5:  | Inflation, Interest Rates and Exchange Rates   | Chapter 8       |
| Lecture 6:  | Risk Management and Forecasting Exchange Rates<br>Exposure to Exchange Rate Fluctuations           | Chapter 9 - 10  |
| Lecture 7:  | Managing Transaction Exposure and Economic<br>Exposure   | Chapter 11 - 12 |
| Lecture 8:  | Direct Foreign Investment, Multinational Capital<br>Budgeting and Restructuring                    | Chapter 13 - 15 |
| Lecture 9:  | Country Risk Analysis, Multinational Cost of Capital<br>And Capital Structure                      | Chapter 16 - 17 |
| Lecture 10: | Long-Term Financing and ALM  | Chapter 18      |

Lecture 11: Short-Term Financing and ALM

Chapter 19 - 20

Lecture 12: International Cash Management

Chapter 21

Lecture 13: Revision Lecture

Additional chapter information refers to the prescribed textbook.

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

## II. Teaching Staff and Lecture–Date/Venue

### Lecturers:

#### Weeks 1-3, 6-13

Stefan Trück                      E4A 432                      Ph: 9850 8483  
Email: [stueck@efs.mq.edu.au](mailto:stueck@efs.mq.edu.au)

#### Weeks 4-5

Kim Hawtrey                      E4A 433                      Ph: 9850 8504  
Email: [khawtrey@efs.mq.edu.au](mailto:khawtrey@efs.mq.edu.au)

### Lecture Times and Venues

|           |                           |               |
|-----------|---------------------------|---------------|
| Monday:   | 13 -16 (Day lecture)      | <b>X5B T1</b> |
| Wednesday | 18 - 21 (Evening lecture) | <b>E7B T3</b> |

### Consultation Times

Stefan Trück, E4A 432  
Tel. 9850 8483  
Tuesday 2-4 pm  
Wednesday 9 -12 pm

## III. Learning Outcome

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. 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 topic for the essay will be provided on **Wednesday, 15 August 2007**. The final due date is **Wednesday, 3 October 2007**. 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 five). 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> | <u>80%</u>  |
| <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://senate.mq.edu.au/rules/Guidelines2003.doc>

<http://senate.mq.edu.au/rules/detailedguidelines.doc>

## VII. Recommended References

### Prescribed Text

Madura, J. 2006, *International Financial Management*, 8th ed South-Western Publishing, New York.

Compact lecture notes will be made available to students on the unit home page. For some chapters we will also use journal articles as additional references. These will also be made available on the unit home page.

## **Additional Resources**

The following are some additional useful references, including textbooks, journals and websites:

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

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

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

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

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

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

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

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

Shapiro, A. *Multinational Financial Management*, 8th ed., Wiley, 2006.

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

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

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>