



FIN 3711 – INTERNATIONAL FINANCIAL MANAGEMENT

Instructor:

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Session: Semester 2, AY 2024-25

Course Description

This course is designed to provide an understanding of international financial products, financial markets and institutional structures necessary to be effective financial managers in modern corporations. Students will also learn how to handle exchange rate risk and market perfection in the growing trend of globalization by using various financial instruments and derivatives. The specific topics covered include the followings: the basis macroeconomic concepts, the nature of foreign exchange risk, the determination of exchange rates, the management of foreign exchange risk with forwards, futures, options and swaps, exchange rate forecasting, the evaluation of international investment, multinational company management, and international tax environment. Student will also learn to familiarize themselves with various information resources to obtain first-hand financial information in rapid changing business environment and to critically analyse it.

Learning Outcome

By the end of the course, students are expected to be able to:

- Understand international macroeconomic transfers and balance of payments accounting.
- Understand the Ricardian model of competitive advantage and the basis of international trade.
- Understand the determination of exchange rates and institutional details of the foreign exchange market.
- Understand the reasons for firms to internationalize and become multinational.
- Become familiar with the various mechanisms to hedge financial, economic and accounting risks in the context of multinational firms.
- Calculate the cost of capital for international projects, ventures, or mergers and acquisitions.
- Understand the functioning of international bond and equity markets.

Textbooks

The references noted below have been placed in RBR section in HSSML.

Required Course textbook

Eun Cheol S., Bruce G. Resnick, and Tuugi Chuluun, *International Financial Management*, 10th Edition, Mcgraw Hill, 2024 (ISBN hardbound: 978-1-264-41309-6 , ISBN loose leaf: 978-1-266-82631-3)

Other texts I will use (not required for purchase).

International Economics Theory and Policy, 12th Edition by Paul Krugman, Maurice Obstfeld and Mark Melitz, Pearson, ISBN 9781292409719.

Supplementary materials will be available on CANVAS.

Lecture

Tuesday 3 pm

Venue: BIZ1 02-04

Assessments

1. Class Participation: 10%
2. Individual Homework 15%
3. Test 1: 30%
4. Test 2: 30%
5. Final Group Project: 15%

Total 100%

1. Class Participation (10%)

5% will be given for attendance. Each absence will reduce the grade by 0.5%. Valid reasons for absence are medical, representing NUS at a national or international event, job of internship interview & family bereavement. Appropriate documentation to be provided in all cases. The remaining 5% will be given for participation in class. Note that only IN CLASS vocal participation counts. Emailing doubts outside of class time or meeting during consultation hours do not count. The default grade for the second 5% will be zero. For you to be able to get a positive grade on this, you MUST get name cards, put it in front of your seat, AND participate actively.

2. Individual Assignments (15%)

Approximately 5-7 assignments will be given. The homework is to facilitate the in-class learning on a regular and consistent basis. These assignment will be graded on pass/fail basis. A pass will get 100% credit and a fail with a reasonable attempt will get 40% credit. Some of the larger assignments may have a higher weightage.

4. Group Assignment – 15%.

Groups of upto 5 students each should make a powerpoint on a multinational corporation incorporated in Asia. The content of the presentation should include :

- 1) An overview of the company & its businesses.
- 2) Analysis of the one important financial risk faced by the firm.
- 3) Analysis of the firm's international capital raising strategy.

The final presentation should last 12 minutes followed by 3 minutes of Q&A. Companies cannot be repeated across any groups across all sections. The allocation of companies will be on first come first serve basis. Total slides should be at most 12 excluding the cover slide.

5. Two tests each worth 30%

Test 1 will cover the portions covered upto the mid term and Test 2 will cover the portions covered after the mid term. However, to the extent that material in the second half relies on that in the first half, you will need to be familiar with the full syllabus. Exams are closed book closed notes. Students can bring one page of A4-sized cheat sheet.

Tentative Course Plan

Week 1

- Introduction (chapter 1)
- International Monetary System (Chapter 2)
- Balance of Payments (Chapter 3)

Week 2

CNY EVE – no classes

Week 3

- World Trade: An Overview (Krugman, Chapter 2)
- Labor Productivity and the Ricardian Model (Krugman, Chapter 3)

Week 4

- The Market for Foreign Exchange (Chapter 5)
- International Parity Relationships and forecasting Foreign Exchange Rates (Chapter 6)

Week 5

- Futures and Options on Foreign Exchange (Chapter 7)
- Management of Transaction Exposure (Chapter 8)

Week 6

- Management of Economic Exposure (Chapter 9)
- Management of Translation Exposure (Chapter 10)

Break Week

Week 7

- Test1: Tuesday March 4, in class (2 hours) from 3.15 pm to 5.15 pm.

Week 8

- Foreign Direct Investments and Cross Border Acquisitions (Chapter 16)
- International Capital Structure and the Cost of Capital (Chapter 17)

Week 9

- International Capital Budgeting (Chapter 18)
- International Trade Finance (Chapter 19)

Week 10

- International Bond Markets (Chapter 12)
- International Equity Markets (Chapter 13)

Week 11

- Interest Rates and Currency Swaps (Chapter 14)
- International Banking and Money Market (Chapter 11)

Week 12

- Project Presentations

Week 13

- Test 2: Tuesday 8 April, in class (2 hours) from 3.15 pm to 5.15 pm.

Note that some sessions may be supplemented by or replaced by cases on the same topics. In this case, the students will have an assignment on the case based on pre-reading.

ACADEMIC HONESTY & PLAGIARISM

Academic integrity and honesty are essential for the pursuit and acquisition of knowledge. The University and School expect every student to uphold academic integrity & honesty at all times. Academic dishonesty is any misrepresentation with the intent to deceive, or failure to acknowledge the source, or falsification of information, or inaccuracy of statements, or cheating at examinations/tests, or inappropriate use of resources.

Plagiarism is “the practice of taking someone else’s work or ideas and passing them off as one’s own” (The New Oxford Dictionary of English). The University and School will not condone plagiarism. Students should adopt this rule – You have the obligation to make clear to the assessor which is your own work, and which is the work of others. Otherwise, your assessor is entitled to assume that everything being presented for assessment is being presented as entirely your own work. This is a minimum standard. In case of any doubts, you should consult your instructor.

Additional guidance is available at:

<http://nus.edu.sg/osa/resources/code-of-student-conduct>

Online Module on Plagiarism: <http://emodule.nus.edu.sg/ac/launch.htm>.