FIN351   INTERNATIONAL BUSINESS FINANCE   6 CP

Pre-requisites: FIN221

SPRING    2005    WOLLONGONG

Lecturer and Subject Coordinator

MS MARA KOPLIN   School of Accounting and Finance

Room:  40 322    Ph:  42213680    email: mkoplin@uow.edu.au

Consultation:  Monday    Time:  11:30-13:00
                Tuesday    9:30-10:30
                Tuesday    11:30-13:00
SECTION A: GENERAL INFORMATION

LECTURE TIMES

Monday 13:30-15:30 40.131

TUTORIALS

Monday 10:30-11:30 19.1098
Monday 15:30-16:30 67.201
Tuesday 10:30-11:30 40.124

Tutorial Attendance

Attendance at tutorials is a compulsory requirement (see Students Code of Conduct) of this subject.

A schedule of the questions to be prepared for the tutorials is attached. These questions must be attempted before the tutorial. Attempted solutions to tutorial problems are to be submitted to tutors as required. Your tutors will provide further details on what is required.

Tutorials begin in week 2 and finish in week 13.

Your preparation and participation in weekly tutorial discussions will be taken into account when awarding your final mark and when considering requests for special consideration. You must attend your assigned tutorial. I would encourage you to attend an alternate tutorial if you are (on rare occasions) unable to attend your own. However, your tutorial participation assessment will only include attendance at your assigned tutorial (except in the case of public holidays).

Students will be able to seek help from tutors during consultation times. Tutors will indicate their availability in the first tutorial and their consultation times will be posted on the school noticeboard.

BRIEF OUTLINE

This subject builds upon previous knowledge of domestic and corporate finance and extends into the international sphere, concentrating on the European as well as the Australian/Asian region. The subject explores the concepts and relationships linking international financial markets and the operations of Multinational corporations (MNC) in those regions. The coverage gives an introduction to international financial market theory and covers issues including Euro finance, foreign exchange pricing, the international financing decision, foreign exchange and interest rate risk management. It also covers methods of international trade and finance, as well as recognition of the place of the international financier in a changing world economy.

STUDENT LEARNING OUTCOMES

Upon completion of this subject students will be able to:

- Explain the international financial environment.
- Describe how foreign exchange markets operate.
- Discuss the management of different types of foreign exchange exposure.
- Identify various risks faced by MNC's.
- Examine financial decisions facing firms in a global context.
• Identify the role of international banking in multinational investment decisions.
• Describe the strategic issues related to foreign investment decisions.
• Discuss working capital management issues of multinational business.

ATTENDANCE REQUIREMENTS
In order to maximise learning outcomes, it is strongly recommended that students attend all lectures. Attendance at tutorials is compulsory.

PERFORMANCE LEVEL
To be eligible to pass this subject, students must achieve an overall mark of at least 50%, and at least 45% on the final examination.

REQUIRED TEXT(S)
This textbook is available online from the University Bookshop at http://unishop.uow.edu.au/textbooks/

RECOMMENDED BACKGROUND AND FURTHER READING
2. The topics covered in this subject are frequently referred to in the current financial press. In order to gain the most from this subject, students are therefore asked to regularly read the current financial press, including publications such as the Australian Financial Review.

SECTION B: ASSESSMENT

General Criteria

Summary

<table>
<thead>
<tr>
<th>Task</th>
<th>Weighting</th>
<th>Due Date</th>
<th>Return date</th>
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</thead>
<tbody>
<tr>
<td>Progressive Assignment</td>
<td>21%</td>
<td>start of lecture, weeks 3-7,9-10,12-13</td>
<td>2 weeks later,</td>
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<tr>
<td>Mid-session examination</td>
<td>25%</td>
<td>5/9/05</td>
<td>2 weeks later,</td>
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<tr>
<td>Final Exam</td>
<td>54%</td>
<td>TBA</td>
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NB. Marks may be scaled.

NB. To be awarded a Pass or higher grade in this subject, students must achieve at least 45% of the available marks in the final exam.
### Performance grades

<table>
<thead>
<tr>
<th>Grade</th>
<th>Description</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>HD</td>
<td>High Distinction</td>
<td>85–100%</td>
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<tr>
<td>D</td>
<td>Distinction</td>
<td>75–84%</td>
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<tr>
<td>C</td>
<td>Credit</td>
<td>65–74%</td>
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<tr>
<td>P</td>
<td>Pass</td>
<td>50–64%</td>
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<tr>
<td>F</td>
<td>Fail (unsatisfactory completion)</td>
<td>0–49%</td>
</tr>
</tbody>
</table>
Assessment Tasks

Task 1: Progressive Assessment

**Written**
- Date: Beginning of each lecture from week 3 to week 13, excluding week 8
- Weighting: 2% each
- Length: 1 typed page per week

**Presentation**
- Date: Assigned in lecture of week 2
- Weighting: 3%
- Length: 5 minutes

**Assignment details**

Each student will select a country and product to sell in that country by the end of the lecture in week two. No country will be selected by more than one student. At the start of each of the nominated tutorials, one page of research (two copies) on their selected country relating to the topic of the week, will be handed in. A summary is to be prepared by 4-5 students each week from the material handed in during the lecture. This summary is to be presented at the next lecture. There will be 9 tutorial tasks, these will be worth 2% each, and one presentation each, worth 3%.

The topics for each week are outlined below, although these may be adapted during the lecture the week before, in consultation with the lecturer and students.

**Week 3**: A basic outline of your country and its currency.

**Week 4**: For your country what are the key factors likely to affect the value of the currency and how they will affect the value.

**Week 5**: What is your country’s current and forward exchange rate? What derivatives are available in your currency?

**Week 6**: For your country and its currency, decide on a (or more) FX forecasting method (justify this) and use it to forecast its FX rate for 17 October.

**Week 7**: Investigate the capital markets in your country. Would you consider listing on the local sharemarket? Why or why not?

**Week 8**: No assignment due to mid-session.
Week 9: If you planned to borrow long-term funds, you could borrow dollars or you could borrow the foreign currency of concern. Using the Internet or other sources of data, compare the Australian interest rate to the foreign interest rate over the last 8 quarters. Which interest rate is typically higher?

Week 10: Assume your business is successful. What would be the best way to operate in your country?

Week 11: No assignment due to public holiday.

Week 12: Investigate the country risk of your country.

Week 13: Investigate any relevant taxation issues in your country.

Presentation: Each week 4-5 students (numbers depending of enrollments) will collect the spare copy of that weeks task, and summarize and present the relevant/interesting/unusual information to the class in the following lecture.

Written requirements:
Post: No posted assignments will be accepted.
Facsimile: No faxed assignments will be accepted.
Email: No emailed assignments will be accepted.
An Assignment cover sheet is not required. Put your name and Student number on the copy to be marked, put only your name on the copy to be given to the presenter.: Any assignment submitted after the due date will incur a penalty (20% of the marks allocated per day or part thereof) which may reduce the mark to zero, unless special exemption has been granted.

Extensions must be applied for prior to the due date.
Collection: During the lecture, no more than 2 weeks following submission

Task 2: Mid-Session Examination
Due date: During lecture 5/9/2005
Return date: 2 weeks after submission
Weighting: 25%
Length 1.5 hours

Mid-session details
This will include subject matter covered in lectures and/or tutorials. You should study from your notes and tutorial work, supplementing this material with explanations and further example problems from the textbook. The objective is to test your understanding of the material rather than mere memory. The examination will cover material from Chapters 1-12.
Task 3: Final Examination

Date: University examination period
Weighting: 54%
Length: 3 hours 15 minutes

Examination details

This will include subject matter covered in lectures and/or tutorials and/or workshops. You should study from your notes and tutorial work, supplementing this material with explanations and further example problems from the textbook. The objective is to test your understanding of the material rather than mere memory.

PLAGIARISM

Plagiarism means using the ideas of someone else without giving them proper credit. For example, that someone else may be an author, critic, journalist, artist, composer, lecturer, tutor or another student. Unintentional plagiarism can result if you don’t understand and use the acceptable scholarly methods of acknowledgement. Whether plagiarism is deliberate or unintentional, the University may impose penalties, which can be very severe. When it is desirable, or necessary, to use other people’s material, take care to include appropriate references and attribution. Plagiarism will not be tolerated and has led to expulsion from the University.

Students should visit the following University website and become familiar with the University’s policy on Plagiarism.

**SECTION C: RULES, CODES OF PRACTICE & POLICIES**

**C1 UNIVERSITY POLICIES**

Information on the following University Policies can be found at the websites below:

<table>
<thead>
<tr>
<th>Policy</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethical objection by students to the use of animal and animal products in coursework subjects</td>
<td><a href="http://www.uow.edu.au/about/policy/ethicalobjectionanimals.html">http://www.uow.edu.au/about/policy/ethicalobjectionanimals.html</a></td>
</tr>
</tbody>
</table>

* see brief explanation of policy below.

**C1.1 Non-discriminatory Language**

The Faculty of Commerce supports the University’s policy on the use of non-discriminatory language. It is the responsibility of students to ensure that they understand and abide by this policy. The policy is available at:

http://staff.uow.edu.au/eeo/nondiscrimlanguage.html
C1.2 Special Consideration Policy

The Faculty of Commerce recognises that it has a responsibility to ensure equity and consistency across its subjects for all students. Sometimes, in exceptional circumstances, students need to apply for special consideration in order to complete all assessable work.

The University applies strict criteria to the granting of special consideration. Before applying for special consideration students should carefully read the University’s policy. The policy can be found at:


C1.3 Student Academic Grievance Policy

The Faculty of Commerce aims to provide a fair, equitable and productive learning environment for all its students. The Student Academic Grievance Policy seeks to support the achievement of this goal by providing a transparent and consistent process for resolving student academic grievances.

Any student who has a grievance over a result should obtain a Faculty of Commerce Appeal of Assessment Form from the Schools or the Sub-Dean’s Unit. The student should firstly take the form to the marker/lecturer to discuss the matter and, if the student is still not satisfied, s/he should take the next step as outlined on the form.

Once the grievance has been considered by the Faculty, if the student still feels the situation has not been fully resolved s/he may consult the Dean of Students. However, the Dean of Students can have no input into the academic judgement of the lecturer and can only review the grievance to ensure proper procedure has been followed.

For more information, please consult the policy in full at


C2 FACULTY AND SCHOOL POLICIES

REFERENCING

WHY DO YOU NEED TO REFERENCE?

At University it is necessary to acknowledge the sources of information and ideas that you have incorporated in your assignments. Failure to do this thoroughly may result in accusations of plagiarism: this is the academic equivalent of stealing (because by not acknowledging someone else's work, you are presenting it as your own). Plagiarism is taken very seriously by the University and may result in expulsion from the University.

Referencing is not only about acknowledging other people's work: accurate referencing and lists of references are beneficial when researching a topic as they allow the reader to follow up information and read further into the area. In a sense, references provide readers with clues to help them explore different avenues of a topic. This aspect of referencing will become more valuable to you as you progress in your studies.

There is a correct procedure that must be followed when referencing and using footnotes. Not complying with these set techniques and format will most likely result in loss of marks.

When writing an essay it is easiest to reference as you go, making sure you are writing down all relevant information. This will save hours trying to find the source again in the library.
THE HARVARD SYSTEM OF REFERENCING

The Faculty of Commerce uses the Harvard system of referencing. This system makes use of short references within the body of the text. It is supplemented by a detailed list of references at the end of the text, which provides all the information necessary to find the source material. In-text references include the author and year of publication, and where necessary the page number(s).

It is the responsibility of students to ensure that they are familiar with the Harvard system of referencing and that they use it accurately in all written work submitted.

Students should consult the following University Library website for a detailed explanation and examples of the Harvard system of referencing.


CITATION OF ELECTRONIC SOURCES

It is necessary for students to reference all sources used in their written work, including file transfer protocol sites, worldwide web sites, telnet sites, synchronous communications (MOOs, MUDs, IRC, etc.) GOPHER sites, and email, Listserv and Newsgroup citations.

It is the responsibility of students to ensure that they are familiar with the accepted Faculty of Commerce practice for referencing electronic material and that they use it accurately in all written work submitted.

Students should consult the following University Library website for a detailed explanation and examples of how to reference electronic material.


OCCUPATIONAL HEALTH AND SAFETY WHERE RELEVANT, INCLUDING SAFETY IN LABORATORIES AND ON FIELD TRIPS

C3 SUPPORT SERVICES AND FACILITIES

LEARNING RESOURCE CENTRE

Learning Development offers a range of free services to all enrolled students who wish to improve their academic or English language skills. There are a range of workshops available including; essay writing and editing; reading for assignments; grammar; presentation skills; pronunciation and exam preparation.

For information on language and academic skills workshops, or to make appointments for consultations, please visit the Learning Resource Centre (LRC), Building 19, Ground Floor, Room G102, or Phone 02 4221 3977. For further information visit the website:


FACULTY LIBRARIANS

Each faculty has a Faculty Librarian who is available to help with research related enquiries. Research Help Desk staff are also available in the Library to assist with research needs.

The Faculty Librarians for Commerce can be contacted as follows:
DISABILITY LIAISON OFFICER

The Disability Liaison Officer (DLO) can provide advice on how particular disabilities affect university study and information on resources available at the University for assisting students with disabilities. Students commencing courses are advised to contact the Disability Liaison Officer prior to the beginning of their first session of study.

For further information on services offered, consult the Disability Services website or contact the office.

web address: http://www.uow.edu.au/student/services/ds/

telephone: 42 213445

fax: 42 215667

FACULTY DISABILITY ADVISERS

Faculty Disability Advisers are academic staff who provide assistance and support to students with disabilities within their Faculty and act as an intermediary between the student and the Faculty’s academic and general staff. They provide support, educational advice and referral to appropriate staff on issues related to teaching and learning within the Faculty and the University. Students are advised to communicate specific information about the ways in which their disability affects learning to the Faculty Disability Adviser as soon as possible after enrolment.

The Faculty of Commerce Disability Adviser is Mr. Ron Perrin. Mr Perrin can be contacted as follows:

Office location: Building 40, room 224

email address: ron_perrin@uow.edu.au

telephone: 42 214118

WOOLYUNGAH INDIGENOUS CENTRE

The Woolyungah Indigenous Centre (WIC) provides academic and personal support for Aboriginal & Torres Strait Islander and other indigenous students. The Centre also runs an Indigenous Specific Orientation Program for students who gain entry to the University through the alternative admissions program.

For further information on services offered, consult the Aboriginal Education Centre website or contact the office.

Centre location: Building 30 Telephone 42 213563

web address: http://www.uow.edu.au/aec/ Fax: 42 214244
**SUBJECT SCHEDULE**

The lecturer reserves the right to vary the questions by announcement in the lecture.

Q: Questions  P: Problems

<table>
<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Topic</th>
<th>Reading (Moffett et al.)</th>
<th>Tutorial Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>18/7</td>
<td>Financial Goals And Corporate Governance</td>
<td>Ch. 1</td>
<td></td>
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<tr>
<td>2</td>
<td>25/7</td>
<td>The International Monetary System, Balance of Payments</td>
<td>Ch 2 &amp; 3</td>
<td>Ch 1: Q: 5,6,13,15,19  P: 8,9</td>
</tr>
<tr>
<td>3</td>
<td>1/8</td>
<td>International Parity Conditions, Foreign Exchange Determination</td>
<td>Ch 4 &amp; 5</td>
<td>Ch 2: Q: 3,4,12 P: 2,5-9</td>
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<td></td>
<td></td>
<td></td>
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<td>Ch 3: Q 2,3,15</td>
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<tr>
<td>4</td>
<td>8/8</td>
<td>The Foreign Exchange Market, Foreign Currency Derivatives</td>
<td>Ch 6 &amp; 7</td>
<td>Ch 4: Q: 1,5,6 P: 2,4,5,6,7,8</td>
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<td>Ch 5: Q: 1,3,4,5,6  P: 5,8,9,10</td>
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<tr>
<td>5</td>
<td>15/8</td>
<td>Transaction, Operating, and Translation Exposure</td>
<td>Ch 8, 9, &amp;10</td>
<td>Ch 6: P: 3,7,13,16 Q:4</td>
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<td>Ch 7: Q: 1 P: 2,3,5,6</td>
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<td>6</td>
<td>22/8</td>
<td>Global Cost and Availability of Capital, Sourcing Equity Globally</td>
<td>Ch 11 &amp; 12</td>
<td>Ch 8: Q: 2 P: 6,8,13,15</td>
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<td>Ch 9: Q: 2,7 P: 1,3,4,7</td>
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<td>Ch 10: Q 1,4,6,7</td>
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<td>7</td>
<td>29/8</td>
<td>Financial Structure and International Debt, Interest Rate and Currency Swaps</td>
<td>Ch 13 &amp; 14</td>
<td>Ch 11: Q: 1,7,8,9 P: 2,3</td>
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<td>Ch 12: Q: 4,5,7 P: 7-10</td>
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<tr>
<td>8</td>
<td>5/9</td>
<td><strong>Mid-Session</strong></td>
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<td>9</td>
<td>12/8</td>
<td>International Portfolio Theory and Diversification, Foreign Direct Investment Theory and Strategy</td>
<td>Ch 15 &amp;16</td>
<td>Ch 13: Q: 5,6,9 P: 2,5,8</td>
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<td>CH 14: Q: 1.6.10 P: 2,3,4,7,9</td>
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<tr>
<td>10</td>
<td>19/8</td>
<td>Political Risk Assessment and Management, Multinational Capital Budgeting</td>
<td>Ch 17 &amp; 18</td>
<td>Ch 15: Q: 1,4,5,7 P: 1,3,4</td>
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<td>Ch 16: Q: 1,4,11-14 P:1,2</td>
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<td></td>
<td>Break</td>
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<tr>
<td>11</td>
<td>3/10</td>
<td>Holiday Monday, no classes</td>
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<tr>
<td>12</td>
<td>10/10</td>
<td>International Trade Finance, Multinational Tax Management</td>
<td>Ch 19 &amp; 20</td>
<td>Ch 17: Q: 1,6,7,9,13,14,</td>
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<td>Ch 18: Q: 1,2,3,4,5,12 P: 1,2,4</td>
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<td>13</td>
<td>17/10</td>
<td>Revision</td>
<td>Ch 19: Q: 1,8,10 P: 4,5,6,7</td>
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<td>Ch 20: Q: 1,2,3,5,6,7,10,12 P: 4-6</td>
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