FIN 928  MULTINATIONAL FINANCIAL MANAGEMENT  6 CP

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

SEMINAR TIME

Tuesday 14:30-16:30 67.303

WEEKLY QUESTIONS AND PROBLEMS

Students are expected to prepare written answers to the set questions, which may be collected for assessment. Students may be required to make presentations of their answers during the seminars.

The questions to be prepared for each seminar (which start in week 2) are listed at the end of this outline. The lecturer reserves the right to vary these by announcement in the lecture.

BRIEF OUTLINE

This subject provides a guide to the financial environment of international corporate activity; foreign exchange and derivatives markets; methods of foreign exchange risk measurement and management; overview of international financial markets and instruments; financing of foreign trade and foreign direct investments; investment decision making in an international context, including country risk analysis; effects of government regulation on management decision making.

STUDENT LEARNING OUTCOMES

Upon completion of this subject participants should be able to:

Demonstrate a general understanding of the international financial system and foreign exchange markets:

Identify and distinguish the different forms of foreign exchange risk and recommend appropriate strategies for dealing with each:

Assess the foreign investment decision within the context of the objective of the firm:

Describe the nature of political risk and identify the means by which firms mitigate its impact:

Examine the role taxation plays in international finance:

Examine the problems in financing overseas operations and make recommendations on appropriate capital structure:

Describe international derivative markets in detail and how the various financial instruments can be used:

Measure and compare the cost of raising finance in overseas and domestic markets.
ATTENDANCE REQUIREMENTS
In order to maximise learning outcomes, it is strongly recommended that students attend all lectures.

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

Summary

<table>
<thead>
<tr>
<th>Task</th>
<th>Weighting</th>
<th>Due Date</th>
<th>Return date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major Assignment</td>
<td>20%</td>
<td>23/09/05, 13:00</td>
<td>3 weeks later,</td>
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<tr>
<td>Mid-session examination</td>
<td>25%</td>
<td>6/9/05</td>
<td>2 weeks later,</td>
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<tr>
<td>Final Exam</td>
<td>55%</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

HD  High Distinction  85–100%
D   Distinction       75–84%
C   Credit            65–74%
P   Pass               50–64%
F   Fail (unsatisfactory completion)  0–49%
Assessment Tasks

Task 1: Major Assessment

Date: 22/09/2005
Weighting: 20%
Length: 20 pages

Assignment Details

Due: 22 September 2005, 13:00 To be handed in to the coordinator, 40.322

NOTE: This is an individual assignment.

Create an idea for your own MNC that conducts international business. Your idea should be such that it would be possible to implement it someday, and creative enough that it might be successful if done properly. Your idea should be applied to a country that will be selected in the seminar in week 2. No country is to be selected by more than one student.

Select an approach for operating in your country and justify it. (ie: joint venture/licensing agreement etc.)

You will receive foreign currency for your sales, so need to address issues regarding foreign exchange risk.

The following should be covered for each country/approach, where applicable: (this list is a guideline, and should not restrict you if you wish to cover other items that are relevant)

What is the product you plan to sell?
What currency will the expenses be in?

Explain how, when and why you would use the following:

(for foreign exchange and commodities)

- spot market
- forward market
- option market
- swap market

For each country what are the key factors likely to affect the value of the foreign currency of concern and how they will affect the value.

It was assumed that your receivables would be denominated in the foreign currency of concern. For this question only, assume that you could switch your pricing policy so that the receivables would be denominated in dollars instead. How would this switch affect the transaction and economic exposure of your business? Explain the conditions that could still cause the performance of your business to be affected by exchange rate movements.

How will you raise capital (what, where, why) if required?
Are there any problems in bringing profits back?

What are the advantages/disadvantages of the approach (joint venture, licensing etc) for each country.

Investigate the type and level of country risk faced.

Investigate taxation issues.

Marks may be awarded for presentation as well as content.

An assignment cover sheet must be attached.

Any assignments submitted after the due date will incur a penalty (20% of the available marks per day) which may reduce the mark to zero, unless special exemption has been granted. Extensions must be applied for from the coordinator prior to the due date.

Students not submitting the assignment by the last day of classes, in the absence of accepted documented reasons, will fail the subject.

**Mandatory assignment presentation standards are as follows:**

1. The assignment is to be typed, double spaced, on one side of the paper only, using a computer word processing package.
2. A duplicate of the assignment is required.
3. Problems with computers, software, lost disks etc will not be accepted as excuses for late submissions.
4. The pages should be numbered consecutively.
5. An assignment cover sheet must be attached to your assignment.
6. There must be a margin of about 40mm to allow for written comments.
7. All assignments should include a list of references in academic form. All sourced material, including direct quotations, should be appropriately acknowledged. For referencing format see *The Accounting Review*.
8. Post: No posted assignments will be accepted.
   Facsimile: No faxed assignments will be accepted.
   Email: No emailed assignments will be accepted.

The assignment will be penalised for failure to meet any of these requirements.

The assignment will be available from the subject coordinator within 3 weeks of submission date.

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**Task 2: Mid-Session Examination**

Due date: During lecture 6/9/2005
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 1-11.

**Task 3: Final Examination**

- **Date:** University examination period
- **Weighting:** 55%
- **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 Description</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
web address: http://www.uow.edu.au/aec/
Telephone 42 213563
Fax: 42 214244
## SUBJECT SCHEDULE

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

Q&A: Questions and Applications  AQ: Advanced Questions

<table>
<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Topic</th>
<th>Reading (Madura)</th>
<th>Tutorial Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>19/7</td>
<td>Multinational Financial Management: An Overview</td>
<td>Ch. 1</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>26/7</td>
<td>International Flow of Funds, International Financial Markets</td>
<td>Ch 2 &amp; 3</td>
<td>Ch 1: Q&amp;A: 3,7,8,13,14,15 AQ: 20,22</td>
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<td>Ch 2: Q&amp;A: 1,5,10</td>
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<td>Ch 3: Q&amp;A: 1-4,7,14,18</td>
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<tr>
<td>3</td>
<td>2/8</td>
<td>Exchange Rate Determination, Currency Derivatives</td>
<td>Ch 4 &amp; 5</td>
<td>Ch 4: Q&amp;A: 1-5,9 AQ: 19,21</td>
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<td></td>
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<td>Ch 5: Q&amp;A: 1,8-14,16</td>
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<tr>
<td>4</td>
<td>9/8</td>
<td>Government Influence on Exchange Rates, International Arbitrage and Interest Rate Parity</td>
<td>Ch 6 &amp; 7</td>
<td>Ch 6: Q&amp;A: 1,3,4,6,13</td>
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<td>Ch 7: Q&amp;A: 2,4,6,14,18,21 AQ: 29</td>
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<td>5</td>
<td>16/8</td>
<td>Relationships Among Inflation, Interest Rates, &amp; Exchange Rates; Forecasting Exchange Rates</td>
<td>Ch 8 &amp; 9</td>
<td>Ch 8: Q&amp;A: 1,5,6,8,15,20 AQ: 24,34 Ch 9: Q&amp;A: 1-5,7,10,17</td>
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<td>Ch 11: Q&amp;A: 8,30 AQ: 32,33</td>
</tr>
<tr>
<td>7</td>
<td>30/8</td>
<td>Managing Economic Exposure and Translation Exposure, Direct Foreign Investment</td>
<td>Ch 12 &amp; 13</td>
<td>Ch 12: Q&amp;A: 3,7,9 AQ: 11,13</td>
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<td>Ch 13: Q&amp;A:1,3,4,10 AQ: 15</td>
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<td>8</td>
<td>6/9</td>
<td>Mid-Session</td>
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<td>9</td>
<td>13/8</td>
<td>Multinational Capital Budgeting, Multinational Restructuring</td>
<td>Ch 14 &amp;15</td>
<td>Ch 12: Q&amp;A: 3,7,9 AQ: 11,13</td>
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<td>Ch 13: Q&amp;A:1,3,4,10 AQ: 15</td>
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<td>10</td>
<td>20/8</td>
<td>Country Risk Analysis, Multinational Cost of Capital and Capital Structure</td>
<td>Ch 16 &amp; 17</td>
<td>Ch 14: Q&amp;A: 1,2,5,6,13,17</td>
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<td>Ch 15: Q&amp;A: 1,3,4,7,8,10</td>
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<tr>
<td>11</td>
<td>4/10</td>
<td>Long-term Financing, Financing International Trade</td>
<td>CH 18&amp;19</td>
<td>Ch 16: Q&amp;A: 1,2,5,6,7,10,12</td>
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<td>Ch 17: Q&amp;A: 1,2,3,5,9,14 AQ: 22</td>
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<td>Ch 18: Q&amp;A: 1,4,6,8</td>
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<td>Ch 19: Q&amp;A: 1,2,3,5,6,9</td>
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<tr>
<td>12</td>
<td>11/10</td>
<td>Short-Term Financing, International Cash Management</td>
<td>Ch 20 &amp; 21</td>
<td>Ch 20: Q&amp;A: 1,2,5,12 AQ: 16</td>
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<td></td>
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<td>Ch 21: Q&amp;A 1,2,3,4,9,10</td>
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<tr>
<td>13</td>
<td>18/10</td>
<td>Revision</td>
<td>Ch 20: Q&amp;A: 1,2,5,12 AQ: 16</td>
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