Subject Outline

FIN 351 International Business Finance
Wollongong

6 credit points
Spring 2004

Co-ordinator: Mara Koplin
Room 40.317
(02) 4221 3680
mara_koplin@uow.edu.au
Fax (02) 4221 4297

School of Accounting and Finance
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Subject details

Description
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.

Objectives
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.

Method of delivery
There is one two hour lecture and one one hour tutorial each week for this subject.

Study time
According to university rules, each credit point for a single session should have a value of roughly two hours per week, inclusive of class attendance. As this subject is a 6 credit point subject, each student should devote at least 12 hours per week. The allocated work, and subject load overall is geared to this presumption.
Lecture/tutorial times

Lectures: Monday: 14:30-16:30 40.131

12:30-13:30 40.127
16:30-17:30 191084

Major text

References can be obtained by contacting the University of Wollongong Library.
Contacts

Subject Coordinator/lecturer/tutor
Mara Koplin
School of Accounting and Finance
Building No 40, Room No 317
Telephone 61 2 4221 3680
Facsimile 61 2 4221 4297
Email mara_koplin@uow.edu.au

Consultation times
These were unavailable at time of printing, so will be announced in the first lecture.

Student administration
Telephone 61 2 4221 3927
Facsimile 61 2 4221 4322
Email studentq@uow.edu.au
Student OnLine Services http://www.uow.edu.au/student/sols

Library
Telephone 61 2 4221 3548
Web http://www-library.uow.edu.au
Distance students studying within Australia should refer to the Off-Campus Library Services Student Guide contained in their subject package. Distance students studying outside Australia should contact their subject coordinator as arrangements for library services may be available within their own country.

Purchasing of books (Unishop)
Telephone 61 2 4221 8050
Facsimile 61 2 4221 8055
Email unishop@uow.edu.au
Assessment Guidelines

General Criteria

Assessment:

Progressive Assignment  22%
Mid session examination  25%
Final examination        53%

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

Summary

<table>
<thead>
<tr>
<th>Task</th>
<th>Weighting</th>
<th>Due Date</th>
<th>Return date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Progressive Assignment</td>
<td>22%</td>
<td>each lecture from week 3-6,8-13</td>
<td>2 weeks later</td>
</tr>
<tr>
<td>Mid-session exam</td>
<td>25%</td>
<td>August 30</td>
<td>September 13</td>
</tr>
<tr>
<td>Final Exam</td>
<td>53%</td>
<td>TBA</td>
<td>TBA</td>
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</tbody>
</table>
Special Consideration

University policy requires students who, through serious illness or other circumstances beyond their control, are unable to attend an examination or meet any of the other course requirements, to submit medical or other documented evidence as soon as possible after the event to support their request for special consideration.

The evidence should be submitted to Student Inquiries Office. Students should make their request online using SOLS http://www.uow.edu.au/student/.

Supplementary examinations

Students should note that supplementary examinations are not an automatic entitlement on the submission of a request for special consideration. In cases where the decision is made to allow a supplementary examination, students will usually be required to take the examination at a date to be determined by the School within three weeks of the end of the formal examination period. Students will be notified of the exam at least seven days beforehand. It is every student’s responsibility that the University has a correct record of your current address.

Full details of the University’s policy regarding special consideration are available on the web at http://www.uow.edu.au/handbook/courserules/specialconsideration.html students should familiarise themselves with these policies.

Disability Policy

If a student with a disability requires reasonable accommodation in this subject, they are strongly advised to discuss the issues early in the session with one of the following people: the Disability Liaison Officer, Faculty Disability Adviser and/or the Subject Co-ordinator. Students with a disability should also register with the University of Wollongong Disabilities Unit. More details can be found on the web at http://www.uow.edu.au/student/services/ds.html

Non Discriminatory Language

As part of its Equal Opportunity/Affirmative Action initiatives, the University of Wollongong endorses a policy of non-discriminatory language practice and presentation in all academic and administrative activities of the University. The policy is available at http://staff.uow.edu.au/eeo/nondiscrimilanguage.html

Receipt of Assessment Tasks

It is your responsibility to ensure that you have a receipt signed by your lecturer/tutor, acknowledging submission of written work.
Assessment Tasks

Task 1:  Progressive Assignment

Due date:  Each lecture from week 3 to week 13, excluding week 7
Return date:  2 weeks after submission
Weighting:  22%
Length:  1 typed page per week

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. Each student should hand in at the start of each of the nominated lectures, one page of research (two copies) on their selected country relating to the topic of the week. A summary is to be prepared by three to five students each week from the material handed in during the tutorial. This summary is to be presented at the lecture in the following week. There will be 10 tutorial tasks, these will be worth 2% each, and one presentation each, also worth 2%.

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 business environment.
Week 4: For your country what is its currency and what are the key factors likely to affect the value of the currency and how.
Week 5: What is your country's current and forward exchange rate? What derivatives are available in your currency?
Week 6: 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 7: Nothing due to mid-session.
Week 8: Investigate any relevant taxation issues in your country.
Week 9: 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 18 October.

Week 10: Investigate the country risk of your country.

Week 11: Describe the capital structure that you would use to run your business. Why might the proportion of equity to be used in your business be limited when the business is first created? Assume your business is successful. What would be the best way to operate in your country?

Week 12: Given that you receive periodic payments in foreign currency for your exports, explain how you could effectively use cash management. That is, explain how you would use the funds as they are received. If you had some existing short-term debt, would you prefer to invest the cash in short-term securities or would you pay off the debt?

Week 13: Summarize all your findings to date, giving an overview of your country and the areas covered throughout the subject that are of most concern in your country, or are most beneficial. Include any extra information you found over the weeks that did not relate to an assigned topic but you think is relevant. Report on your FX forecast form week 9.

Task 2: Mid-Session Examination

Due date: 2/09/03
Return date: 9/09/03
Weighting: 25%
Length: 1.5 hours

Assignment 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.

Task 3: Final Examination

Date: University examination period
Weighting: 53%
Examination 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.
Submission Requirements

Submission

Place of Submission: At the start of the lecture during the applicable weeks.

Post: No posted assignments will be accepted.

Facsimile: No faxed assignments will be accepted.

Email: No emailed assignments will be accepted.

Assignment cover: Cover sheet not required, but clearly label each part with your name, student number, and tutorial time.

Return: During the lecture, no more than 2 weeks following submission

Acknowledgment/Plagiarism

Plagiarism is not acceptable and may result in the imposition of severe penalties. The University provides clear guidelines on its attitude towards plagiarism and how to avoid unintentional plagiarism in the Postgraduate University Calendar, located on the web at http://www.uow.edu.au/handbook/courserules/plagiarism.html

Students are advised to read these carefully. If any doubts remain as to what constitutes plagiarism, students should discuss the matter with the subject co-ordinator

The acknowledgment method to be used should follow the Harvard style.

Format

1. The progressive assignments are to be typed, 1.5 spaced, 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.
Due Date

The due date is the last date for the University to receive an assignment.

Extensions

Extensions may be granted if circumstances beyond the control of the student interfere with their ability to complete the task on time. These will only be granted by the subject co-ordinator and must be applied for before the due date.

Please Note: Extensions will not be granted after the due date.

Late submission

There will be a 0.5 mark penalty (out of the 2 marks each task is worth) for each day or part thereof that a task is late.

Disclaimer

The School attempts to ensure that the information herein is up to date at the time of production, however we reserve the right to amend without notice in response to changing circumstances.
<table>
<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Topic</th>
<th>Reading (Moffett et al.)</th>
<th>Tutorial Questions (subject to change by announcement in lecture)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>19 July</td>
<td>Introduction and the Foreign Exchange Market</td>
<td>Chpt 1, 2</td>
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<tr>
<td>2</td>
<td>26 July</td>
<td>The Balance of Payments and the effective FX rate FX determination</td>
<td>Chpt 3, 4</td>
<td>Ch 1: RQ#1, 7, 13, 15, 21</td>
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<td></td>
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<td>Ch 2: RQ#4, 28 P#2, 3, 5, 11, 12, 13</td>
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<tr>
<td>3</td>
<td>2 Aug</td>
<td>International Monetary System Currency Futures &amp; Swaps</td>
<td>Chpt 5, 6</td>
<td>Ch 3: RQ$8, 10, 14 P#6</td>
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<td>Ch 4: RQ#14 P#1, 2, 6</td>
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<tr>
<td>4</td>
<td>9 Aug</td>
<td>Currency Options Eurocurrency &amp; international banking</td>
<td>Chpt 7, 8</td>
<td>Ch 5: RQ#9, 11, 16, 19</td>
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<td>Ch 6: RQ#1, 8, 10, 16 P#1, 3, 4, 5</td>
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<td>5</td>
<td>16 Aug</td>
<td>Purchasing Power Parity Covered Interest Parity</td>
<td>Chpt 9, 10</td>
<td>Ch 7: P# 3, 4, 5</td>
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<td>Ch 8: RQ#1, 2, 6, 9, 17, 19</td>
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<td>6</td>
<td>23 Aug</td>
<td>Market efficiency, uncovered interest parity and real interest parity</td>
<td>Chpt 11</td>
<td>Ch 9: RQ# 2, 9, 10 P#3</td>
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<td>Ch 10: RQ# 1, 2, 7 P# 1, 3, 6, 8</td>
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<td>7</td>
<td>30 Aug</td>
<td>Midsession</td>
<td>Chpt 12, 13</td>
<td>Ch 11: RQ# 1, 6, 7, 9, 12 P# 1, 2, 4</td>
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<td>8</td>
<td>6 Sept</td>
<td>FX forecasting, FX risk and exposure</td>
<td>Chpt 12, 13</td>
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<tr>
<td>9</td>
<td>13 Sept</td>
<td>FX risk management</td>
<td>Chpt 14</td>
<td>Ch 12: RQ# 1, 2, 3 P#1, 2</td>
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<td>Ch 13: RQ# 2, 4, 7, 1 P#1, 4, 9</td>
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<tr>
<td>10</td>
<td>20 Sept</td>
<td>Foreign Direct Investment and international capital budgeting</td>
<td>Chpt 18</td>
<td>Ch 14: RQ# 2, 18, 19 P# 1, 2, 3, 5, 6, 7, 9, 11</td>
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<td>11</td>
<td>4 Oct</td>
<td>International short-term financing and investment</td>
<td>Chpt 15</td>
<td>Ch 18: DQ# 3, 6, 18 P# 1, 6</td>
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<td>12</td>
<td>11 Oct</td>
<td>International long-term financing</td>
<td>Chpt 16, 17</td>
<td>Ch 15: DQ# 1, 2, 3, 4, 10 P# 2, 8, 9</td>
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<tr>
<td></td>
<td></td>
<td>International long-term portfolio investment</td>
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