Subject Program
Autumn Session 2000

Lectures:
Tuesday 16.30 – 17.30 19.1056
Thursday 16.30 – 17.30 40.123

Co-ordinator and Lecturer
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Fax: 02 4221 4297

Subject Description

International Financial Management is designed to give students an appreciation of and expertise in the use of financial tools in an international context. The subject will cover the techniques of finance and will then relate them to international financial institutions and practices. Throughout the course the student will learn to evaluate the risk and expected return from international investment markets.

Objectives

Upon completion of the course the student will be able to

1. Identify and use appropriate financial tools and techniques for international financial management.
2. Explain the techniques for evaluating and the ramifications of, risk/return in an international context.
3. Describe the sources of long term debt and equity capital in the international market.
**Prescribed texts**


**Other useful texts**


**Subject Requirements and Assessments**

For the purpose of determining final grades students’ performance will be evaluated on the following components of assessment:

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assignment</td>
<td>10%</td>
</tr>
<tr>
<td>Essay</td>
<td>20%</td>
</tr>
<tr>
<td>Final Examination</td>
<td>60%</td>
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<tr>
<td>Tutorial problems and participation</td>
<td>10%</td>
</tr>
</tbody>
</table>

**Total** 100%

Note: To be awarded a Pass or higher grade in this subject, student must achieve at least 50% marks in the final examination. The marks are subject to scaling.

**Dates to remember**

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
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<tbody>
<tr>
<td>Assignment submission</td>
<td>Tutorial – Week 7 (Beginning – 10/4/00)</td>
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<tr>
<td>Essay</td>
<td>Tutorial – Week 10 (Beginning – 8/5/00)</td>
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**Tutorial Attendance**

Attendance at the tutorials is a compulsory requirement of the subject.

A schedule of the questions to be prepared for each tutorial is attached. These questions must be attempted before the tutorial. Attempted solutions to the tutorial problems are to be submitted to the tutors as required. Further details in this regard will be provided by the tutors.
Tutorials begin in week 2 and finish in week 13.

While awarding the marks for tutorial work, your preparation and participation in weekly tutorial discussions will be taken into consideration. Marks are not awarded for attendance only.

Students will be able to seek help from tutors during their consultation times. Tutors will indicate their availability at the first tutorial and their consultations times will be posted on their doors.

**Access to solutions**

The copies of the solutions of the previous week’s tutorial problems will be placed each Monday in the closed reserve section of the library and in the Faculty of Commerce Resource & Student Information Room in Building 40. Students are advised to refer to the solutions provided.

**Public Holidays**

If you have a tutorial that falls on a public holiday, please consult the list of tutorial times and locations on the Department of Accounting and Finance Notice Board, third floor, Bldg. 40 and select an alternative time to attend the tutorial for that week.

**Submission by Facsimile**

Please note the University policy covering the submission of assignment by facsimile on Page 8 of the 1999 Undergraduate calendar. Generally assignments will not be accepted or marked if submitted by facsimile.

**Examinations**

The examinations will be based on the subject matter covered in the weekly lectures and/or tutorials. You may study from material with explanations provided in the textbooks, other examples given in the textbooks and supplementary reading material, your notes and tutorial works. The objective of the examination is to test your understanding of the material covered rather than your memory.

**Essay**

The topic of the essay is given below:

"How can an international finance manager cope with different currencies and interest rates, a variety of different capital markets and tax systems? Explain your response with examples of actual events in the market"

Length of the essay. 2000 words

Due date: The essay is due on Tutorial (Week 10, Beginning 8/5/00)
Mandatory essay presentation standards are as follows

1. The essay is to be typed, double spaced, on one side of the paper only. A computer word processing package should be used for typing.

2. Only one copy of the essay is to be submitted. It must, however, be ensured by the students that they are in a position to provide a duplicate copy of the essay, if requested to do so.

3. Late submission of the essay is not acceptable without prior arrangement. Late submission will attract penalty (one mark per day) according to the university rules. Problems with computers, softwares, lost disks etc. will not be accepted as excuses for late submission.

4. All the pages should be numbered serially.

5. The cover sheet of the essay must bear the student number, name, tutorial class, due date of the essay and topic of the essay.

6. A synopsis of not more than 150 words should preface the main body of the essay.

7. A list of references in academic form should be included at the end. All sourced materials including quotations should be appropriately acknowledged. The Accounting Review method of referencing is an acceptable method for the purpose of this course.

8. There are penalties for failure to meet any of these guidelines.

Students not submitting the essay by the last day of the classes, in the absence of an acceptable documented reason, will fail the subject

Assignment Questions. (There are two questions. Both questions must be attempted).

Due Date Tutorial (Week 7, Beginning 10/4/00)

Question 1. (Marks 5)

Project X is a new type of thermometer. The management of the company manufacturing this thermometer thinks that they can sell 10,000 thermometers per year at $30 apiece. The variable cost per thermometer will be $20 each. Fixed production cost will run $30,000 per year. The equipment required to manufacture the thermometers costs $150,000 and will be depreciated prime cost to a zero salvage value over a period of five years. The discount rate used is 14 per cent per annum. The tax rate is 39 per cent.

Based on the above information for the project X please advise the company if they undertake the project?
Question 2. (Marks 5)

Newton Enterprise manufactures liquid detergent. The variable material cost is $1.15 per litre and the variable labour cost is $2.60 per litre.

a. If the fixed cost is $320 000 during the year and the total production is 280 000 litres, what is the total cost for the year?

b. If the selling price is $5.30 per unit does Newton Enterprises break even on a cash basis. If the depreciation is $130 000 per year, what is the accounting break even?

c. If the tax rate is 36 per cent, what happens to the cash and accounting break even?

Assignment Cover sheet

A cover sheet should be attached to all assignments including the essay. The following information should be clearly given on the cover sheet.

- Your student number and name
- Your tutor and tutor group
- The topic of the essay
- A signed declaration using the following words

I have read and adopted the University of Wollongong Acknowledgment Practice Code as set out in the 1999 Undergraduate Calendar page 86 - 87.

Signed___________________________________ Date________________________

Supplementary Examination

Supplementary examinations will be conducted in accordance with university rules as set out in the Undergraduate Calendar 1999, page 74 to page 76 and the Department of Accounting and Finance policy statement. This policy statement is available in the Faculty of Commerce Resource Room, Bldg. 40.

Plagiarism and Academic Misconduct

The University of Wollongong regards academic misconduct as a very serious matter. Cases of plagiarism and academic misconduct are severely penalised. The students are advised to read the university rules in this regard carefully and follow these rules diligently in their own interest. Students found guilty of academic misconduct may be expelled from the university.

Special Consideration

If a student is affected by serious illness or other circumstances beyond his or her control, he or she may request that the unusual circumstances may be taken into consideration while assessing the performance in the subject. The university rules in regard to this are given on
Page 74 –75 of the University calendar 1999. Students who may get into the unfortunate positions mentioned above may note the following:

1. The formal letter requesting special consideration should be submitted to the university administration.

2. Subject coordinator should be informed of the unfortunate circumstances immediately. The information given should include contact address and telephone number.

Disability

If a student with a disability requires accommodation in the subject the issue may be discussed with the subject coordinator, Faculty Disability Advisor or the Disability Liaison Officer early in the session.
## Subject Schedule

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<th>Week</th>
<th>Beginning</th>
<th>Topic</th>
<th>Readings</th>
<th>Tutorial Questions</th>
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<tr>
<td>1</td>
<td>28/2/00</td>
<td>Introduction</td>
<td>PCF Ch. 1 &amp; 2</td>
<td></td>
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<tr>
<td>2</td>
<td>6/3/00</td>
<td>Valuation/Present value</td>
<td>PCF Ch. 3 &amp; 4</td>
<td>PCF Ch. 2, QP – 1,3,4,6</td>
</tr>
<tr>
<td>3</td>
<td>13/3/00</td>
<td>Investment decisions</td>
<td>PCF Ch. 5 &amp; 6</td>
<td>PCF Ch. 3, QZ – 12, 14, 15 Ch. 4, QZ – 1,6,8</td>
</tr>
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<td>4</td>
<td>20/3/00</td>
<td>Risk and Return</td>
<td>PCF Ch. 7 &amp; 8</td>
<td>PCF Ch. 5, QZ – 2,3, 5 Ch. 6, QZ – 1,7</td>
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<tr>
<td>5</td>
<td>27/3/00</td>
<td>Capital Budgeting</td>
<td>PCF Ch. 9, 10 &amp; 11.</td>
<td>PCF Ch. 7, QZ – 1,2,5, 6 Ch. 8, QZ – 2,5</td>
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<tr>
<td>6</td>
<td>3/4/00</td>
<td>Financing Decisions</td>
<td>PCF Ch. 14 &amp; 15</td>
<td>PCF Ch. 9, QZ – 5,6 Ch. 11, QZ – 2,3, 5</td>
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<tr>
<td>7</td>
<td>10/4/00</td>
<td>Dividend policy</td>
<td>PCF Ch. 16 &amp; 17</td>
<td>PCF Ch.14, QZ – 1,3 Ch. 15, QZ – 4,5.</td>
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<tr>
<td>8</td>
<td>17/4/00</td>
<td>Debt Financing</td>
<td>PCF Ch. 23 &amp; 24</td>
<td>PCF Ch. 16, QZ – 2,3, 8 Ch. 17, QZ – 4,6</td>
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### Mid Semester Break from 21/4/00 to 30/4/00

| 9    | 1/5/00      | Foreign Exchange Markets  | IFM Ch. 3        | PCF Ch. 23, QZ – 2,3 Ch. 24, QZ – 1,4.   |
| 10   | 8/5/00      | International Bond Markets | IFM Ch. 14      | IFM Ch.3, Ex. – 1,2,3,4.                  |
| 11   | 15/5/00     | International Equity Markets | IFM Ch. 15   | IFM Ch. 14, Ex. – 1,2, Q. - 3             |
| 12   | 22/05/00    | International Investment Decisions | PCF Ch. 34 | IFM Ch. 15, Ex- 1,2,3                    |
| 13   | 29/5/00     | Conclusions               | IFM Ch. 17      | PCF Ch. 34, QZ – 1,4,6,7                  |

QP – Questions and Problems
QZ - Quiz