International Business Finance is a subject within the Bachelor of Commerce Degree offered by the University of Wollongong.

**Subject coordinator**  
Mara Koplin:  
Room 40.317  
☎ (02) 4221 3680  
✉ mara_koplin@uow.edu.au  
Fax (02) 4221 4297

Consultation Times:  
Monday: 10:30-11:00  
12:30-1:00  
Tuesday: 9:30-11:00  
14:00-15:30

**Lectures:**  
Tuesday: 15:30-17:30  67.102

**Tutorials:**  
Tuesday: 8:30-9:30  40.126  
12:30-13:30  40.127

**Subject Description**

This subject builds upon previous knowledge of domestic and corporate finance and extends into the international sphere, concentrating on the European sphere 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 finance markets theory and covers issues including Eurofinance, 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.

**Prescribed Text:**


**Other useful texts:**


**Other Reading:**

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.

**Subject Requirements and Assessment**

For the purposes of determining final grades for ACCY 351, student performance will be evaluated on a composite mark, determined as follows:

- Major Assignment 20%
- Presentation of major assignment 4%
- Mid-session Test 20%
- Final Exam 50%
- Tutorial Problems and Participation 6%

100%
NB. Marks may be scaled.

**NB.** To be awarded a Pass or higher grade in this subject, students must achieve at least 45% in the final exam.

**Dates to Remember**

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major Assignment</td>
<td>18 October 2001 16:30</td>
</tr>
<tr>
<td>Mid-session Test</td>
<td>4 September 2001</td>
</tr>
</tbody>
</table>

**Tutorial Attendance**

*Attendance at tutorials is a compulsory requirement 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 tutor 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 mark for tutorial work (see above). Marks are not given for attendance only.*

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 their doors.

**Access to Solutions**

Each Monday copies of the solutions of the previous week’s tutorial problems will be placed in the Commerce Resource room.

**Mid-session Test**

The mid-session test will be held during the lecture time in week 7. Further details will be made available in lectures.

**Study time and commitment**

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.
**Major Assignment**

**Due:** 18 October 2001, 16:30 To be handed in to the coordinator, 40.317

NOTE: This is a group assignment and must be submitted in groups of 3, 4, or 5 students.

**Groups**

All group members will get the same marks. Thus it is imperative that each group member has fully and equally participated.

Keep a log of meetings, noting what was discussed and what jobs were allocated.

Class time to work on group project: when work permits, time will be made available at the end of the lectures. These will be short times, but will be an opportunity to keep up to date on progress. The mid-session test will be of approximately 1.5 hours duration. The rest of the lecture time is available for group work.

It may be necessary to meet together as a group in your own time. It should be possible to meet during the University’s recess break between September 24-October 15.

Create an idea for your own MNC that conducts international business. Your idea should be such that you could possible implement it someday, and creative enough that it might be successful if done properly. Your idea should be applied to four different countries with a different approach for each country.

**Approaches:**

- 50/50 joint venture
- Wholly owned subsidiary
- Licensing agreement
- Significant equity state (more than 20%, less than 50%)

**Countries:**

- Asian
- Europe
- Eastern european
- Other of own choice

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 will be awarded for presentation as well as content.

An assignment cover sheet as provided on the department web site must be attached.

Any assignments submitted after the due date will incur a penalty (one mark 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 as provided on the department web site must be attached to your essay.
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. Each individual group member is to submit one page addressing the following:
   - The extent to which you think you have achieved the objectives of this group project.
   - Identify whether your experience working in a group was positive or not. Identify what you found beneficial and what you found troublesome.
   - What would you change if you had to engage in a group effort in the future?
   - What could have done differently which would have been beneficial.

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.

**Submission by Facsimile**

Note the University policy covering submission of assignments by fax in the 2001 Undergraduate Calendar. Generally assignments will **NOT** be accepted or marked if submitted by fax.

**Exam and Mid-session**

These 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.

**SUBJECT REQUIREMENTS, ILLNESS AND MISADVENTURE**

Section 10 of the Bachelor Degree regulations covers subject requirements and assessment. Note in particular 10(7) which says:
Should performance in a subject be affected by illness or other cause beyond the control of a candidate, the circumstances should be reported to the Vice-Principal (Administration) in writing, supported by evidence, normally no later than seven days following the illness or other cause. The circumstances shall be referred to the Head and may be taken into account when assessment of the candidate in that subject is made.

Students who are in the unfortunate position referred to in the above paragraph should note the following:

(i) The formal letter requesting special consideration must be submitted to the University administration and not to the Department.

(ii) As a matter of courtesy and to facilitate prompt action, the relevant staff member should be advised and you should ensure that she/he is supplied with an up-to-date address and, where possible, a contact telephone number.

(iv) Students do not have a right to a supplementary examination and should refer to the Departmental policy.

**Disability**

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 Advisor and/or the subject co-ordinator.
## Subject Schedule

<table>
<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Topic</th>
<th>Reading (Eiteman et al.)</th>
<th>Tutorial Questions (subject to change by announcement in lecture)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>24 July</td>
<td>Introduction</td>
<td>Chpt 1</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>31 July</td>
<td>International Monetary Environment FX determination</td>
<td>Chpt 2,3</td>
<td>Ch 1: #1,2,3,6</td>
</tr>
<tr>
<td>3</td>
<td>7 Aug</td>
<td>FX markets and options</td>
<td>Chpt 4,5</td>
<td>Ch 2: #1,2,3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Ch 3: #2,4,5</td>
</tr>
<tr>
<td>4</td>
<td>14 Aug</td>
<td>Managing FX exposure Part 1</td>
<td>Chpt 6,7</td>
<td>Ch 4: #1,2,4,6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Ch 5: #1,2,3,5</td>
</tr>
<tr>
<td>5</td>
<td>21 Aug</td>
<td>Managing FX exposure Part 2</td>
<td>Chpt 8,9</td>
<td>Ch 6: #1,3,4,7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Ch 7: #1,4,5,8</td>
</tr>
<tr>
<td>6</td>
<td>28 Aug</td>
<td>Global Financing</td>
<td>Chpt 10,11,12</td>
<td>Ch 8: #1,4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Ch 9: #1,2,5</td>
</tr>
<tr>
<td>7</td>
<td>4 Sept</td>
<td><strong>Midsession</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>11 Sept</td>
<td>Global Investment decisions part 1</td>
<td>Chpt 13,14</td>
<td>Ch 10: #1,3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Ch 11: #1,2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Ch 12: #1,5</td>
</tr>
<tr>
<td>9</td>
<td>18 Sept</td>
<td>Global Investment decisions part 2</td>
<td>Chpt 15,16</td>
<td>Ch 13: #1,4,5,6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Ch 14: #1,2</td>
</tr>
<tr>
<td><strong>Break</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>9 Oct</td>
<td>Taxation Repositioning funds</td>
<td>Chpt 17,18</td>
<td>Ch 15: #1,2,5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Ch 16: #1,3,4,5</td>
</tr>
<tr>
<td>11</td>
<td>16 Oct</td>
<td>Working Capital management Import/export financing</td>
<td>Chpt 19,20</td>
<td>Ch 17: TBA</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Ch 18: #1,4,5</td>
</tr>
<tr>
<td>12</td>
<td>23 Oct</td>
<td>Evaluation International portfolio theory</td>
<td>Chpt 21,22</td>
<td>Ch 19: #1,2,3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Ch 20: #1,3,4 (substitute NSW for california), #1,2,4</td>
</tr>
<tr>
<td>13</td>
<td>30 Oct</td>
<td>Revision Presentations</td>
<td>Chpt 21</td>
<td>Ch 21: #2,3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Ch 22: #1,2,4</td>
</tr>
</tbody>
</table>