Spring 2019
TBC 2220 International Financial Management

Credit Hours: 3.0
Class Times and Location: Room 430
Instructor: Timothy Y. Bian, Ph.D.
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Course Description
When a firm expands its business overseas, it will be rewarded with the potential opportunities for enhancing revenues and reducing costs that are not available to local firms. At the same time, the firm is also exposed to additional risks.
This course deals with the theory and practice of international finance and multinational financial management. It will introduce students to economic and financial challenges faced by multinational corporations. Specifically, this course exposes the students to:
- Foreign Exchange Rate and Its Determination.
- Fundamental International Parity Relationships.
- Foreign Exchange Risk Management.
- Capital budgeting for Multinational Corporation.

Textbook and Course Materials
Textbook (I will provide the digital version):
- International Financial Management, by Jeff Madura, South Western, 12th edition, 2014
- International Macroeconomics by Robert Feenstra and Alan Taylor, Worth Publishers, Second Edition.

Course Materials
https://pan.baidu.com/s/1ESAb-pfuA4eOB0YniEj5Gw (All materials are to be uploaded to this cloud drive.)

Newspapers Reading
Regular reading of relevant articles in newspapers such as the Financial Times, the New York Times or the Wall Street Journal, or in magazines such as The Economist will enhance your understanding of the material presented in this course.

Course Requirements
1. Attendance Policy

Regular attendance is required and unexcused absences will negatively affect your grade. Only valid medical or family emergencies qualify as an absence, and documentation of the same must be presented to the professor no later than the next class. All other absences are considered to be unexcused.

2. Grading
a) Homework: 15% - There will be four-five homework.
b) Group Presentation: 15%
c) Closed Book Midterm Exam: 30%
d) Closed Book Final exam: 40%.

3. Academic Honesty Statement
Please click the following link to see The Beijing Center's policy on Academic Integrity: http://thebeijingcenter.org/academic-integrity

Course Outline

1. Introduction to Exchange Rates.
Nominal Exchange Rates, Trade-Weighted Exchange Rates, Appreciations and Depreciations, The Market for Foreign Exchange, Spot contracts, Derivatives contracts, Hedging vs. Speculation.

2. Exchange Rates and Interest Rates.
Arbitrage between assets, Vehicle currency, Covered Interest Parity: definition & examples, Uncovered Interest Parity: definition & examples

3. Exchange Rates and Prices
Consumption basket, Real Exchange Rate, The Law of One Price, Absolute Purchasing Power Parity, The Big Mac Index, Relative Purchasing Power Parity, Evidence on APPP and RPPP

4. Measuring Exposure to Exchange Rate Fluctuations
Relevance of Exchange Rate Risk, Introduction to Transaction Exposure and Economic Exposure

5. Managing Transaction Exposure and Economic Exposure
Hedging Exposure to Payables and Receivables, Limitations of Hedging, Assessing Economic Exposure, Hedging Exposure to Fixed Assets

6. Direct Foreign Investment and Country Risk Analysis
Motives for Direct Foreign Investment, Benefits of International Diversification, Measuring Country Risk.

7. Multinational Capital Budgeting
The MNC's Capital Structure Decision, Subsidiary versus Parent Capital Structure Decisions, Multinational Cost of Capital

8. Long Term Debt Financing
Debt financing to minimize exposure to exchange rate risk

9. Special Topics
Ongoing Sino-U.S. trade disputes/talks, China's Belt and Road Initiative

Please note: This class may occasionally deviate from the course outline above. The instructor reserves the right to make changes as needed to the course syllabus.