

PACE UNIVERSITY

FIN 649: International Corporate Finance

Fall 2013

W-606, Tuesday: 5:40 pm – 8:30 pm

Instructor:

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Office hours:

Tuesday: 4:00 - 5:30 pm

Wednesday: 4:30 - 6:00 pm
by appointment

Course Objectives:

FIN 649 is a course that focuses on the financial environment, goals and problems of the multinational corporation. It analyzes the financial opportunities and risks resulting from operating in differing political, economic and monetary systems. The topics covered are: the balance of payments; the evolution of the international monetary system with special emphasis on current issues; the foreign exchange market and associated risks; and risk management. It covers special topics in international finance such as capital budgeting, cost of capital, optimal financial structure and taxation.

The objectives of this course are:

- To familiarize students with basic international macroeconomic and corporate finance risk management concepts
- To analyze and discuss current macroeconomic and corporate finance trends using sound economic and finance theories
- To help students synthesize the theory, the empirical evidence and various other constraints in making pragmatic corporate finance management recommendations

Prerequisites:

MBA 648 (minimum grade of C) and FIN 647 (minimum grade of C)

Course Requirements:

- **Textbook:** D.K. Eiteman, A.I. Stonehill, and M.H. Moffett, *Multinational Business Finance*, 13th ed., Pearson, 2013.
- **Calculator:** Any calculator with a multiple power key (y^x or x^y), a natural log key, and storage capability is sufficient for this course.
- **Reading Materials:** *The Wall Street Journal*

Grading Weight and Distribution:

Midterm	35%
Project (group assignment)	35%
Quizzes	20%
Class Participation and attendance	10%

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Project: A corporation whose operations span the borders of more than one country is known as a multinational company (MNC) or multinational enterprise (MNE). Multinational companies have been established by Dutch and British as far back as the 1600s, but with the liberalization and deregulation of many foreign markets within the last three to four decades they have become the normal landscape of the current global economy.

Choose a public multinational company and discuss the following points (except a. and j.) in detail:

- a. A short history of the firm.
- b. Why the firm decided to expand internationally
- c. The reaction of shareholders to the news of expansion
- d. How the firm expanded internationally: acquiring a local enterprise or establishing a new presence in the other country(ies)
- e. How it raised capital
- f. The advantages and challenges it faced when it expanded its operations to other countries
- g. The advantages and challenges it faces now
- h. Its sources of funding now
- i. Main types of risks the company deals with on a regular basis and how it manages those risks
- j. Calculate the firm's Cost of Capital

The project is a group assignment and consists of a written report and oral presentation of your findings. It will be graded on four criteria: 1) originality; 2) your ability to rigorously research your company; 3) the accuracy of your research findings; 3) use of analytics, numbers, graphs, etc.; 4) the organization and clarity of your written report; and 4) the presentation skills.

The written reports should use a 12 point font, be double spaced, and not more than 15 pages long.

In addition to the midterm and project, this course will feature five announced, one-question quizzes, of which only the best four will count toward your final grade. The midterm and quizzes are closed-book and closed-notes. They will consist of problems similar to those solved in class. Occasionally, extra-credit questions will be posed in the class room.

Your overall score will be converted to a final grade as follows:

93 and above	A	77-79.99	C+
90-92.99	A-	73-76.99	C
87-89.99	B+	70-72.99	C-
83-86.99	B	67-69.99	D+
80-82.99	B-	60-66.99	D
		below 60	F

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Class Participation:

Each student is expected to actively participate in class. For better understanding of the subject matter, I recommend students to read the chapter(s) before they come to class. At the end of each lecture notes there are assigned problems related to topics covered by the textbook and discussed in class. Given the time constraints, only some of them will be discussed in class, but students are encouraged to solve at home as many as possible.

Class Policies:

- Make-up exams will be given only in the case of illness, documented by a doctor.
- There are no credit projects that can be done to improve a grade.
- Attendance is taken during each class.
- Avoid being late at the beginning of class and after the break. No student will be allowed in the class room 15 minutes after the class starts/resumes.
- Turn off your cell phones and beepers during class.

Course Website:

Course information will be posted on the course website (blackboard.pace.edu). Check the Announcement section for last minute postings before you come to class.

Advice on How To Do Well In This Class

Students often ask advice on how to complete this course successfully. My best answer is to follow these steps:

1. Read each assigned chapter before you come to class.
2. Participate actively in the class room (listen carefully to the lecture and ask questions to clarify points of confusion).
3. Follow the problems solved in class and demonstration problems at the end of each chapter.
4. Solve or try to solve as many assigned end-of-chapter problems as possible. This is the best way to judge your understanding of the material and to prepare for exams.
5. Become familiar with your calculator.
6. Read each chapter at least one more time after it is covered in class.

Academic Integrity: An integral part of any educational system is to instill in its students an appreciation and practice of moral conduct. All members of the Pace community are expected to follow Pace University Academic Integrity Code, which expresses the University's philosophy of academic integrity, describes conduct that violates the Code, and sets forth applicable policies, procedures, and sanctions. In the Lubin School of Business, it is possible for your instructor to give you an F for assignments in which there is evidence of an infraction of academic integrity, an F for the class in which one or more of these infractions took place, or even request that you be suspended or expelled from the school. Academic integrity infractions can include, but are not limited to, copying and presenting the work of another student or resource as your own, using unauthorized resources such as an instructor's manual to complete assignments, copying the work of others during an exam, failing to reference the work of

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others or creating fake references in your assignments. When in doubt about what might be considered an academic integrity infraction, the best course of action is to ask your instructor for clarification so that you can avoid the potentially extreme penalties noted here.

Reasonable Accommodations for Students With Disabilities:

The University's commitment to equal educational opportunities for students with disabilities includes providing reasonable accommodations for the needs of students with disabilities. To request an accommodation for a qualifying disability, a student must self-identify and register with the Coordinator of Disability Services for his or her campus. No one, including faculty, is authorized to evaluate the need and arrange for an accommodation except the Coordinator of Disability Services. Moreover, no one, including faculty, is authorized to contact the Coordinator of Disability Services on behalf of a student. For further information, please see Information for Students with Disabilities on the University's web site.

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Course Outline:

1. The Global Financial Environment (Weeks 1 – 3)

Chapter 1: Current Multinational Challenges and the Global Economy
Chapter 3: The International Monetary System
Chapter 4: The Balance of Payments
Chapter 5: The Continuing Global Financial Crisis

2. The Foreign Exchange Theory and Markets (Weeks 4 – 7)

Chapter 6: The Foreign Exchange Market
Chapter 7: International Parity Conditions
Chapter 9: Foreign Exchange Rate Determination
Chapter 8: Foreign Currency Derivatives and Swaps
Case: The Swaps between Procter and Gamble and Banker's Trust

Week 8 **Midterm**

3. Financing the Global Firm (Weeks 9 – 11)

Chapter 13: The Global Costs and Availability of Capital
Chapter 14: Raising Equity and Debt Globally
Chapter 15: Multinational Tax Management

4. Foreign Investment Decisions (Weeks 12 – 13)

Chapter 16: International Portfolio Theory and Diversification
Chapter 17: Foreign Direct Investment and Political Risk
(see also Bekaert and Hodrick, Chapter 14)
Chapter 18: Multinational Capital Budgeting and Cross-Border Acquisitions

Week 14 **Project presentations and deadline for the written report**

* The outline is subject to change without prior notification

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FIN 649, International Corporate Finance

Student Information Sheet

Name _____

Student ID Number _____ Degree _____

E-mail address _____

Do you currently work? _____

Why did you choose Pace University? _____

What do you expect to learn in this class? _____

What is your dream job upon graduation? _____

What do you want me to know about you? (Describe yourself in no more than five sentences)
