

International Finance
FIN 376 and IB 376, Spring 2022, (03620 & 03175), (03625)

Instructor:	Dave Martin	Class location:	UTC 1.132
Offices	CBA 6.222 Finance Dept. CBA 6.312 Professor's Office	Class time(s):	MW 12:30 to 2:00 (03620) MW 2:00 to 3:30 (03625)
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Course Description

The course serves as an introduction to the fundamentals of international financial management and the challenges and opportunities that corporations and investors face in the global economy. The nature of exchange rates and their impact on corporate decisions provide a foundation for discussing corporate strategy and the decision to invest abroad, foreign exchange market equilibrium conditions, and managing exchange risk including hedging strategies. The nature and value of international trade and financial flows are evaluated and the balance of payments concept is discussed. The impact of global taxing regimes on business strategy will be analyzed. Ethical issues encountered in the international arena are also covered as well as principles of business strategy and use of derivative instruments.

Pre-requisites

FIN 357 or 357H

Course Objectives/Learning Outcomes

1. Explain the goals and functions of international financial management in an ethical business environment.
2. Discussion of various issues encountered in the current global environment.
3. Understand the role and function of international financial markets.
4. Discuss how business strategy is influenced by public sector decisions (taxation, etc.) as well as those of the private markets (competitor actions, et al.)
5. Explain the concept of international flow of funds and discuss the factors which impact them.
6. Compute exchange rates and analyze how exchange rates change due to changes in macroeconomic variables.
7. Define and explain the concept of equilibrium exchange rates; understand the fundamentals of arbitrage and hedging.

Required Course Materials (textbooks, software, hardware, misc.)

The ebook (text to be downloaded onto your personal device) used will be "Fundamentals of Multinational Finance" by Moffett, Stonehill, and Eiteman (Addison Wesley, **6th Edition**). Homework assignments, study guides and practice problems will come from this course's MyLab Finance materials which also must be downloaded. 1.) To order through Co-op or from Pearson: MyLab with eText ISBN is **9780134626574**. This will provide you with an access code that you will enter when you go to MyLab through Canvas. 2.) Alternatively, you can purchase the eText by going *directly* to MyLab within Canvas. You can also request a printed copy of the text (loose-leaf or bound) at that time. (You will need to set up or have a Pearson account in any case.)

For this class, you will need a calculator.

Course Webpages

The course content (including Modules and Announcements) in Canvas will serve as the primary mechanism for communicating course related information. PowerPoint and Excel files containing the lecture notes and numerical examples for the next class will generally be available 24 hours before the scheduled class meeting. Changes to the syllabus or course schedule will be posted in Canvas.

Grade Determination

All exams and other items below will receive a numeric score which is then converted to a percentage score (i.e. $42/50 = 84\%$) and then the weightings below are applied to come up with a weighted percentage score. Given that this is an upper level class, there will not be a firm cutoff for determining letter grades for a given composite percentage score. It is expected that the distribution will be considered and letter grades assigned such that the overall grade point average for the class will be in the range of **3.40 to 3.60**.

Weighting of Items

Mid-term exam 1	20%
Mid-term exam 2	20%
Third Exam (last day of class)	20%
Homework	20%
Case assignment	5%
Group Mini-Case Presentation	5%
In Class Quizzes (best 2 of 3)	10%

No Final Exam. The dates for the mid-terms and the due dates for the case assignments are included in the detailed class calendar. Make-up and extra credit work are not possible for this class.

Mid-term exams will use the textbook as a primary source but problems, examples, and topics discussed during class will be included. The review session classes will be very helpful.

Homework

Homework is a key determinant of success in this course. Assignments in MyLab Finance (you will register through Canvas; for help: https://youtu.be/8w_oUy4lGlg?list=PLRpRY65o3rxZJxEWiMAiXCVhmgAqd0ifA) are made up of short problems that will help you practice concepts that will be covered on the exams. Assignments will become available as we complete each chapter, and you will then have at least one week to complete them for full credit (exact due dates will be shown in MyLab Finance). However, if you miss the due date, you can still complete the assignment for late credit (70% maximum credit) up until the last day of class (May 4th). These assignments will be graded by the MyLab Finance system as you submit them, at which point you can also see the solutions. Your total score for all homework assignments in MyLab Finance will make up 20% of your course grade.

Working collaboratively on homework is allowed and encouraged.

Business Case Assignment

There will be one set of questions that will be assigned and completed by all students **working individually**. The write-up will be submitted by the deadline and then the questions will be discussed in class.

Group Mini-Case Presentation

The class will be divided into 10 groups of about 5 students each. Each group will then make a short (30 minutes maximum) presentation of a mini-case from the textbook, stressing the key takeaways that relate to the course materials and the lesson(s) to be learned. Each student in the group will be expected to participate in the presentation.

In-Class Quizzes

There will be three online, in-class quizzes during the semester. The two highest grades will be utilized to compute your score on these quizzes (i.e. your lowest score is thrown out, or, you can afford to miss one of the quizzes). The quizzes will be short (15-20 minutes maximum) and will be used to test a concept or analytical problem that we have recently covered. It could occur anytime during the class (not necessarily at the beginning) and may not be announced ahead of time.

McCombs Classroom Professionalism Policy for this class

The highest professional standards are expected of all members of the McCombs community. The collective class reputation and the value of the Texas McCombs experience hinges on this.

Faculty are expected to be professional and prepared to deliver value for each and every class session. Students are expected to be professional in all respects. The Texas McCombs class experience is enhanced when:

- **Students arrive on time.**
- **Students display their name cards.**
- **Students are fully prepared for each class.**
- **Students respect the views and opinions of their colleagues. Disagreement and debate are encouraged but intolerance for the views of others displays a lack of leadership skills.**
- **Multi-tasking allowed as long as students engage in discussion.**
- **Phones, tablets and wireless devices are turned off and put away.**
- **Unscheduled personal breaks are minimized. Stretch breaks taken as needed.**

Academic Integrity

Dishonest students lose the respect of their classmates. As the instructor for this course, I agree to observe all of the faculty responsibilities described in the Honor System. The responsibilities for both students and faculty with regard to the Honor System are described on the UT BBA website.

The Honor Pledge

The University of Texas at McCombs School of Business requires each enrolled student to adopt the Honor Pledge:

“I affirm that I belong to the honorable community of The University of Texas at Austin McCombs School. I will not lie, cheat or steal, nor will I tolerate those who do. I pledge my full support to the Honor System. I agree to be bound at all times by the Honor System and understand that any violation may result in my dismissal from the McCombs School of Business.”

Semester Class Calendar

(All assignments from Fundamentals of Multinational Finance, 6th Edition)

Note: Questions noted below are for your review of key concepts – NOT homework to be turned in
Case assignment due PRIOR to class on date indicated

- Jan 19 **Overview – Multinational Financial Management**
Reading: Chapter 1
Questions: 1, 5, 6, 7, 8, 12, 13
- Jan 24 **International Monetary System**
Jan 26 Reading: Chapter 2
Questions: 1, 2, 4, 5, 9, 10, 11, 15, 18
- Jan 31 **Balance of Payments**
Feb 2 Reading: Chapter 3
Questions: 1, 3, 4, 5, 6, 8, 10, 12, 13, 15, 16, 19, 22, 23
Group 1: Global Remittances – Feb 2
- Feb 7 **Financial Goals and Corporate Governance**
Feb 9 Reading: Chapter 4
Questions: 2, 3, 4, 5, 8, 11, 12, 14, 15
Group 2: Volkswagens Defeat Device and Shareholder Control – Feb 9
*****Tariffs, Trade Wars, Brexit – Due Before Class on Feb 14*****
- Feb 14 **Foreign Direct Investment and Political Risk**
Feb 16 **Feb 16 - RECORDED**
Reading: Chapter 17
Questions: 1, 3, 5, 6, 9, 10, 11, 12, 18, 20, 27
(No MyLab HW for Chapter 17)
- Feb 21 Review for Mid-term 1
Group 3: Tengiz Defines Political Risk – Feb 21
- Feb 23 **Mid-Term 1 Exam (in class) (Chapters, 1, 2, 3, 4, 17)**
- Feb 28 **Multinational Tax Management**
Mar 2 Reading: Chapter 15
Questions: 2, 4, 5, 6, 7, 8, 11, 12, 15, 18, 21, 22
Group 4: Apple's Global Tax Strategy – Mar 2
- Mar 7 **Foreign Exchange Market**
Mar 9 Reading: Chapter 5
Questions: 2, 3, 4, 5, 7, 8, 10, 13, 14
Group 5: Venezuelan Bolivar Black Market – Mar 9
- Mar 14/16 **No class – SPRING BREAK**
- Mar 21 **International Parity Conditions**
Mar 23 Reading: Chapter 6
Questions: 1, 2, 3, 5, 6, 7, 9, 10, 13, 14, 16, 17, 19

- Mar 28 **Foreign Currency Derivatives: Futures and Options**
 Mar 30 Reading: Chapter 7
 Questions: 1, 2, 4, 6, 7, 8, 10, 13, 15, 16, 18
 Group 6: Mrs. Watanabe and the Japanese Yen Carry Trade – Mar 28
- Apr 4 Review for Mid-term 2
 Group 7: KiKos and the South Korean Won – Apr 4
- Apr 6 **Mid-Term 2 Exam (in class) (Chapters 15, 5, 6, 7)**
- Apr 11 **Interest Rate Risk and Swaps**
 Apr 13 Reading: Chapter 8
 Questions: 1, 2, 3, 4, 5, 8, 10, 15, 17, 18
- Apr 18 **Foreign Exchange Rate Determination and Intervention**
 Reading: Chapter 9
 Questions: 1, 2, 3, 4, 5, 8, 9, 11
 Group 8: Russian Ruble Roulette – Apr 18
- Apr 20 **Transaction Exposure and Hedging**
 Apr 25 Reading: Chapter 10
 Questions: 1, 3, 4, 7, 8, 13, 14, 18
 Group 9: China Noah – Apr 25
- Apr 27 **Operating Exposure and Hedging**
 Reading: Chapter 12
 Questions: 1, 2, 11, 13, 15, 16
 Group 10: Brexit and Rolls Royce – Apr 27
- May 2 **Review for 3rd Exam and Lessons Learned**
 May 4 **Third Exam (in class) (Chapters 8, 9, 10 and 12)**

During class, I will provide additional guidance on the most important sections of each chapter. Supplemental readings will be assigned or discussed – primarily current topics from newspapers and magazines. It is the student’s responsibility to determine what has been missed if they do not attend a class.

Important Notifications

Students with Disabilities

Students with disabilities may request appropriate academic accommodations from the Division of Diversity and Community Engagement, Services for Students with Disabilities, 512-471-6259, <http://diversity.utexas.edu/disability/>.

Privacy in Canvas

Information in Canvas is protected by your UTEID login. Please be aware that I will use a merged Canvas site for all sections of the course that I am teaching this semester. This will allow students in other sections to see that you are enrolled in the course and send you email from within Canvas. However, they will not actually learn your email address and no other personal data will be revealed through Canvas. If you have any concerns, please contact the ITS Help Desk at 475-9400 for help removing your name from view of other students.

Religious Holy Days

By UT Austin policy, you must notify me of your pending absence at least fourteen days prior to the date of observance of a religious holy day. If you must miss a class, an examination, a work assignment, or a project in order to observe a religious holy day, you will be given an opportunity to complete the missed work within a reasonable time after the absence.

Policy on Scholastic Dishonesty

The McCombs School of Business has no tolerance for acts of scholastic dishonesty. The responsibilities of both students and faculty with regard to scholastic dishonesty are described in detail in the BBA Program's Statement on Scholastic Dishonesty at <http://my.mcombs.utexas.edu/BBA/Code-of-Ethics>. By teaching this course, I have agreed to observe all faculty responsibilities described there. By enrolling in this class, you have agreed to observe all student responsibilities described there. If the application of the Statement on Scholastic Dishonesty to this class or its assignments is unclear in any way, it is your responsibility to ask me for clarification. Students who violate University rules on scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course and/or dismissal from the University. Since dishonesty harms the individual, all students, the integrity of the University, and the value of our academic brand, policies on scholastic dishonesty will be strictly enforced. You should refer to the Student Judicial Services website at <http://deanofstudents.utexas.edu/conduct/> to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.

Campus Safety

Please note the following recommendations regarding emergency evacuation, provided by the Office of Campus Safety and Security, 512-471-5767, <http://www.utexas.edu/safety>:

- Occupants of buildings on The University of Texas at Austin campus are required to evacuate buildings when a fire alarm is activated. Alarm activation or announcement requires exiting and assembling outside.
- Familiarize yourself with all exit doors of each classroom and building you may occupy. Remember that the nearest exit door may not be the one you used when entering the building.
- Students requiring assistance in evacuation should inform the instructor in writing during the first week of class.

- In the event of an evacuation, follow the instruction of faculty or class instructors.
- Do not re-enter a building unless given instructions by the following: Austin Fire Department, The University of Texas at Austin Police Department, or Fire Prevention Services office.
- Behavior Concerns Advice Line (BCAL): 512-232-5050 (or <https://operations.utexas.edu/units/csas/bcal.php>).
- Further information regarding emergency evacuation routes and emergency procedures can be found at: http://www.utexas.edu/emergency_

Sharing of Course Materials is Prohibited:

No materials used in this class, including, but not limited to, lecture hand-outs, videos, assessments (quizzes, exams, papers, projects, homework assignments), in-class materials, review sheets, and additional problem sets, may be shared online or with anyone outside of the class unless you have my explicit, written permission. Unauthorized sharing of materials promotes cheating. It is a violation of the University's Student Honor Code and an act of academic dishonesty. I am well aware of the sites used for sharing materials, and any materials found online that are associated with you, or any suspected unauthorized sharing of materials, will be reported to Student Conduct and Academic Integrity in the Office of the Dean of Students. These reports can result in sanctions, including failure in the course.

Class Recordings: Class recordings are reserved only for students in this class for educational purposes and are protected under FERPA. The recordings should not be shared outside the class in any form. Violation of this restriction by a student could lead to Student Misconduct proceedings.

Title IX Reporting

Title IX is a federal law that protects against sex and gender-based discrimination, sexual harassment, sexual assault, sexual misconduct, dating/domestic violence and stalking at federally funded educational institutions. UT Austin is committed to fostering a learning and working environment free from discrimination in all its forms.

When sexual misconduct occurs in our community, the university can:

1. Intervene to prevent harmful behavior from continuing or escalating.
2. Provide support and remedies to students and employees who have experienced harm or have become involved in a Title IX investigation.
3. Investigate and discipline violations of the university's [relevant policies](#).

Faculty members and certain staff members are considered "Responsible Employees" or "Mandatory Reporters," which means that they are required to report violations of Title IX to the Title IX Coordinator. **I am a Responsible Employee and must report any Title IX-related incidents** that are disclosed in writing, discussion, or one-on-one. Before talking with me or with any faculty or staff member about a Title IX-related incident, be sure to ask whether they are a responsible employee. If you want to speak with someone for support or remedies without making an official report to the university, email advocate@Austin.utexas.edu For more information about reporting options and resources, visit the [Title IX Office](#) or email titleix@Austin.utexas.edu.