

Course Information

Instructor: Domenico TARZIA

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Office Hour: By appointment

Classes:

Lectures: Tuesday-Friday: 06:30-8:20 (GMT), 13:30-15:20 (CST)

Wednesday 06/05: 06:30-8:20 (GMT), 13:30-15:20 (CST)

Wednesday 20/05: 06:30-8:20 (GMT), 13:30-15:20 (CST)

Venue: Online Teaching

Course Website: <http://cms.phbs.pku.edu.cn/index.php>

1. Course Description

1.1 Context

Course overview:

The course provides students with a detailed understanding of international financial markets and instruments—with particular emphasis on the two additional factors, foreign exchange and political risk, that both managers and investors should face in an international context. The first half of the course covers the determination of foreign exchange rates and risk management policies; in the second half international markets, foreign direct investment

decisions, and multinational capital budgeting are analysed. The aim is to provide the students with a solid understanding of how the international capital markets, foreign exchange markets, and the derivatives market can be used either to create effective hedge or arbitrage opportunities by currency traders, or tools for managing transaction and operating risks of a multinational firm.

Prerequisites:

Familiarity in the corporate finance and capital markets material is useful. Knowledge of elementary principles of Derivatives are helpful throughout, although necessary concepts will be developed from first principles.

1.2 Textbooks and Reading Materials

Required Textbooks:

- Eun, C. S. and Resnick, B. G., "International Financial Management", 8th Edition, 2017, (ER). ISBN-10: 125971778X, ISBN-13: 978-1259717789.

Additional readings and material:

The instructor will post additional material on the course management system (CMS). The course name is "International Finance", the code is "UK19B402".

2. Learning Outcomes

2.1 Intended Learning Outcomes

Learning Goals	Objectives	Assessment (YES with details or NO)
1. Our graduates will be effective communicators.	1.1. Our students will produce quality business and research-oriented documents.	YES, since they will be exposed to fundamental theories in international finance
	1.2. Students are able to professionally present their ideas and also logically explain and defend their argument.	YES, since they will be asked to work a project assessing political risk

2. Our graduates will be skilled in team work and leadership.	2.1. Students will be able to lead and participate in group for projects, discussion, and presentation.	NO
	2.2. Students will be able to apply leadership theories and related skills.	NO
3. Our graduates will be trained in ethics.	3.1. In a case setting, students will use appropriate techniques to analyze business problems and identify the ethical aspects, provide a solution and defend it.	NO
	3.2. Our students will practice ethics in the duration of the program.	NO
4. Our graduates will have a global perspective.	4.1. Students will have an international exposure.	YES, since international financial markets will be analysed
5. Our graduates will be skilled in problem-solving and critical thinking.	5.1. Our students will have a good understanding of fundamental theories in their fields.	YES, since they will learn how to measure exchange and political risk
	5.2. Our students will be prepared to face problems in various business settings and find solutions.	NO
	5.3. Our students will demonstrate competency in critical thinking.	YES, since part of the final assessment will be based on suggesting profitable investment opportunities

2.2 Course specific objectives

Students will be able to understand the main concepts underlying international finance and apply those concepts and skills to their own research. The course is designed so that they will be able to:

- Gain fundamental knowledge of the theory and mechanics of international fixed income, money, foreign exchange and derivatives markets.
- Use analytical skills to identify strategies used by investors and multinational corporations to hedge financial risks.
- Use critical thinking skills in identifying and evaluating international financial issue and information.

2.3 Assessment/ Grading Details

Assessment Task	Weighting
In-class Participation and Problem Sets	30%
Midterm Exam	30%
Final Exam	40%
Total	100%

In-class Participation:

Students must be regular in class attendance. Fully attendance is required, and everyone is expected to actively participate in the class discussions.

Problem Sets:

Plagiarism is strictly punished. Late submission is unacceptable and will not be graded. Problem sets contain computational exercises. Instructions and deadlines about the problem sets will be given later on by instructor and available on the course management system.

Exams:

Midterm and final exam will be take-home exam. Instructions and deadline about midterm and final exams will be given later on by instructor and available on the course management system.

2.4 Academic Honesty and Plagiarism

It is important for a student's effort and credit to be recognized through class assessment. Credits earned for a student work due to efforts down by others are clearly unfair. Deliberate dishonesty is considered academic misconducts, which include plagiarism; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or

incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honours, awards, or professional endorsement; or altering, forging, or misusing a University academic record; or fabricating or falsifying of data, research procedures, or data analysis.

All assessments are subject to academic misconduct check. Misconduct check may include reproducing the assessment, providing a copy to another member of faculty, and/or communicate a copy of this assignment to the PHBS Discipline Committee. A suspected plagiarized document/assignment submitted to a plagiarism checking service may be kept in its database for future reference purpose.

Where violation is suspected, penalties will be implemented. The penalties for academic misconduct may include: deduction of honour points, a mark of zero on the assessment, a fail grade for the whole course, and reference of the matter to the Peking University Registrar.

For more information of plagiarism, please refer to PHBS Student Handbook.

3. Topics, Teaching and Assessment Schedule

Part I: Foundations of International Finance		
April 28	Introduction. The International Monetary System: <ul style="list-style-type: none"> Exchange Rate Regimes. 	Chapter 1 (ER) Chapter 2 (ER)
May 1	Balance of Payments.	Chapter 3 (ER)
May 5	Corporate Governance Around the World.	Chapter 4 (ER)
Part II: Exchange Rates and Risk Management		
May 6	Foreign Exchange Market.	Chapter 5 (ER) Problem Set 1
May 8	International Parity Relationships. Forecasting Foreign Exchange Rates.	Chapter 6 (ER)
May 12	Futures and Options in FOREX.	Chapter 7 (ER) Problem Set 2
May 15	The Management of Foreign Exchange Rate Exposure: <ul style="list-style-type: none"> Transaction Exposure. 	Chapter 8 (ER)
May 19	The Management of Foreign Exchange Rate Exposure: <ul style="list-style-type: none"> Economic Exposure. 	Chapter 9 (ER)
May 20	The Management of Foreign Exchange Rate Exposure: <ul style="list-style-type: none"> Translation Exposure. 	Chapter 10 (ER)
May 22	Midterm Exam	

Part III: Cross-Border Valuation and Financing		
May 26	International Banking and Money Market.	Chapter 11 (ER) Problem Set 3
May 29	International Bond Market.	Chapter 12 (ER)
June 2	International Equity Market.	Chapter 13 (ER) Problem Set 4
June 5	Interest Rate and Currency Swaps.	Chapter 14 (ER)
June 9	International Portfolio Investment.	Chapter 15 (ER)
Part IV: Financial Management of the Multinational Firm		
June 12	Foreign Direct Investment and Cross-Border Acquisitions.	Chapter 16 (ER)
June 16	International Capital Structure and the Cost of Capital. International Capital Budgeting	Chapter 17 (ER) Chapter 18 (ER)
June 19	Exports & Imports: Procedures, Paperwork, B/As; Countertrade. International Corporate Tax Environment.	Chapter 20 (ER) Chapter 21 (ER)
Final Exam		