

University of North Carolina at Greensboro
Bryan School of Business and Economics
Department of Finance & Accounting

Finance 444.01, International Finance
Spring 2014

Instructor: **G. Jason Goddard**
Place: Distance Learning Format
Time: Slides posted on Blackboard each Monday at 6 PM
Office: Room 344E, Bryan Building (336) 334-5647, (GJGoddard@uncg.edu)
Office Phone: (336) 732-8584 (**best way to reach me during business hours**)
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Office Hours: By Appointment Only
Course Textbook: Eun, Cheol S. and Bruce G. Resnick, *International Financial Management*, 6th ed., McGraw-Hill/Irwin, 2012, ISBN 10: 0-07-803465-5.
Prerequisites: Grade of C or better in Acc 201 or 218 and Finance 315, Admission into an approved program

Course Description

In the aftermath of the recent global financial crisis, the topic of international finance is of increased importance. Whether it involves the prospect of sovereign debt defaults across the globe or the resulting changes in international financial management given the problems seen in the banking industry in recent years, international financial management must return to the basics in order to ensure the success of the multinational firm. This course presents the financial theory and quantitative analytical tools necessary for making international decisions in an increasingly integrated global economy. Topics include international money and capital markets, foreign exchange markets, foreign portfolio investment and international financial strategies.

Course Learning Objectives

1. Elaborate on the various forms of economic and monetary integration in the global economy.
2. Discuss parallels between the financial crises of 2008, 1931, and the Asian Financial Crisis.
3. Discuss the evolution of the international monetary system.
4. Differentiate between the various supranational organizations under the Bretton Woods framework.
5. Utilize the balance of payments to assess the health of a national economy.
6. Describe the various players of the foreign exchange and swap markets.
7. Discuss various international investment portfolio strategies.
8. Elaborate on the developing country innovations in international finance such as microfinance and Islamic finance.
9. Describe how futures contracts can be used to hedge international transactions.
10. Elaborate on the forms of foreign exchange exposure.

11. Understand the role of the letter of credit and bill of lading in international finance.
12. Describe the various methods and practices of multinational cash management.

Class Procedures

The content of this course will be conveyed in an online format via lecture slides, case studies, and review of the required text book. Each approach in the mix is designed to develop and elaborate on the content of the course. Each week by Monday at 6 PM, the slides for the week will be posted on Blackboard. Students are responsible for reading the chapter and case studies in the text as well as reviewing the slides on Blackboard for each week. Students should discuss the cases and other issues which arise from the weekly readings on Blackboard's discussion forum. Each week specific questions will be posted on Blackboard for discussion. Please note that the last day to drop the course and receive a full refund is **January 17**. The last day to drop the course without academic penalty is **March 7**.

Grading

There will be three exams in the course. Exam I and Exam II will each consist of 50 multiple choice questions, 10-15% of which will require computations, as the rest of the questions test the students' knowledge of basic concepts and relationships. The final exam will be a real world application utilizing the techniques that we have learned in the course. The exam questions will be posted on Blackboard by the end of the day on Monday of the week of the exam. Students will have until Friday at 3 PM to complete the exam. The exam time will be limited to 2 hours.

Exam I	25%	Week of Feb. 24-Feb. 28
Exam II	25%	Week of April 7-11
Mini-Cases (Select 3 of 6)	15%	See below section for due dates
Final Exam	25%	Week of May 1-May 3
Individual Contribution	<u>10%</u>	BB Discussion Questions, Rate the USA
Total	100%	

Grading Scale

94-100	A	80-82	B-	67-69	D+
90-93	A-	77-79	C+	63-66	D
87-89	B+	73-76	C	60-62	D-
83-86	B	70-72	C-	< 60	F

Mini-Cases

Students must submit written responses to **three of six** mini-cases as part of their course grade. The mini-cases eligible for selection and the chapter in which they appear are shown below. The assignment can be done individually or in groups of three students. Students should answer each of the questions at the end of the mini-case for a total of **three pages maximum**. One submission per group may be uploaded to Blackboard or emailed to the professor by the times designated below.

<u>Mini-Case Title</u>	<u>Chapter</u>	<u>Due Date</u>
Global Housing Boom Case	Intro	Thurs. Jan. 23 @ 5 PM
Shrewsbury Herbal Products, Ltd.	5	Thurs. Feb 13 @ 5 PM

Airbus' Dollar Exposure	8	Thurs. Mar. 6 @ 5 PM
Sara Lee Corporation's Eurobonds	12	Thurs. Mar. 27 @ 5 PM
Centralia Corp Currency Swap	14	Thurs. Apr. 3 @ 5 PM
American Machine Tools, Inc.	20	Thurs. Apr. 24 @ 5 PM

Individual Contribution

Individual contribution points will be awarded based on the **quality of the content added** to the class discussions as opposed to the quantity of the content added. Questions and discussions posed by students on Blackboard's discussion forum should be relevant to the material being covered in the class. A student will receive class contribution points for adding to the discussion forum via meaningful, insightful comments. What I am looking for is evidence that students are integrating the textbook material with the supplemental material covered each week.

As part of the individual contribution grade, students will complete the "rate the USA" assignment. This assignment should be completed individually. In order to complete the assignment, students should review pages 316-317 in chapter twelve of the text. These pages provide the definitions and considerations of Moody's and Standard & Poor's on how sovereign entities are rated. Students can utilize sources such as the Economist, Financial Times, and various internet sites to determine ratings for each characteristic. Once all assignments have been submitted, the professor will share how the class ranks the United States from a sovereign debt perspective. Students should complete the **one page worksheet** by **Thursday March 6 at 5 PM**. Assignments can be either uploaded in Blackboard or sent to the professor directly by email.

Biographical sketch of the Instructor

Goddard, G. Jason is currently Vice President at Wells Fargo, where he has been a commercial lender for over 15 years. Mr. Goddard is currently real estate risk advisor for income producing investment real estate loans in the business and community banking segments, and works in Winston-Salem. He obtained his MBA from the Bryan School at the University of North Carolina at Greensboro. Mr. Goddard is currently instructor at Wake Forest University, UNC-G, and is the Assistant Editor of the *Journal of Asia-Pacific Business*, where he has authored numerous articles. Mr. Goddard teaches the investment real estate course at both the undergraduate and masters level at Wake Forest University. Mr. Goddard also teaches the subject annually at the RMA-ECU Commercial Real Estate Lending School at East Carolina University in Greenville, NC. He has also taught both an undergraduate and masters level course in international business at UNCG, and has coordinated the *America in the Global Economy* lecture series at UNCG. Mr. Goddard has twice led a group of MBA students on the study abroad program in Paris, France, and teaches annually in Ludwigshafen Germany at the University of Applied Sciences. Mr. Goddard has taught Customer Relationship Management, as an elective in the UNCG MBA program as well as taught the course in Market Psychology at Wake Forest University. Mr. Goddard is co-author of *International Business: Theory and Practice, Second Edition*, which was issued by M.E. Sharpe Publishers in September 2006. His second co-authored book, *Customer Relationship Management: A Global Perspective*, was issued by Gower Publishing in May 2008. His third co-authored book, *The Psychology of Marketing: Cross-Cultural Perspectives*, was published by Gower Publishing in October 2010. His fourth co-authored book, *Real Estate Investment: A Value Based Approach* was published by Springer in July

2012. Mr. Goddard's latest book is entitled *International Business: A Course on the Essentials*, and was issued by M.E. Sharpe in October 2013.

FIN 444 Course Schedule (Spring 2014)

Class	Date	Topic	Assigned Reading
1	Jan. 13-17	Recurring Themes in Financial Markets	Syllabus, Slides Mini-Case: Global Housing Boom
<ul style="list-style-type: none"> • Introduction and review of class syllabus • Discuss the cause and effect of the recent global financial crisis • What are the similarities and differences between the current financial crisis and the Asian Financial Crisis? • What was the cause of the International Debt Crisis? • What was the root cause of the Asian Financial Crisis? • What are the similarities between the financial crisis of 1931 and 2008? • Discuss various proposed solutions to the financial crisis 			
Class	Date	Topic	Assigned Reading
2	Jan. 20-24	Foundations of International Finance	Ch. 1
<ul style="list-style-type: none"> • Why study international finance? • Elaborate on the goals of international financial management • Itemize the risks in international finance • Agency problems & impacts on corporate performance • Trade liberalization & competitive advantage • Benefits of multinational corporations • Discuss the cause of EU Sovereign Debt Crisis 			
Class	Date	Topic	Assigned Reading
3	Jan. 27-Jan. 31	International Monetary System	Ch. 2
<ul style="list-style-type: none"> • Elaborate on the goals of international financial management • Define Gresham's Law • Describe the evolution of the international monetary system • Issues in monetary union: Describe the EMU & Euro • What was the Dollar Based Gold Standard? • Discuss the Triffin Paradox • What are Special Drawing Rights (SDRs)? • What was the primary result of the Jamaica Agreement? • Describe arguments for and against fixed and floating exchange rates 			
Class	Date	Topic	Assigned Reading
4	Feb. 3-Feb. 7	Balance of Payments and Fx prediction	Ch. 3, Prob. # 1
<ul style="list-style-type: none"> • Why should we study the Balance of Payments? • Elaborate on the components of the balance of payments? • How can balance of payment statistics help in making market entry/Fx decisions? • Discuss the implications of the global imbalance in the current account • Itemize the types of capital account investments • Describe sovereign wealth funds and their role in international investments 			

<ul style="list-style-type: none"> Define Mercantilism in relation to the balance of payments 			
Class	Date	Topic	Assigned Reading
5	Feb. 10-14	The Fx Market Mini-Case: Shrewsbury Herbal Products, Ltd.	Ch. 5, Prob. # 2-7
<ul style="list-style-type: none"> Elaborate on the players in the Foreign Exchange (Fx) market Differentiate between Direct & Indirect Fx Quotes Discuss the spot & forward market Describe the bid-ask spread Elaborate on the role of commercial banks in foreign exchange Discuss the process of triangular arbitrage 			
Class	Date	Topic	Assigned Reading
6	Feb. 17-21	Futures and Options on Foreign Exchange	Ch. 7, Prob. #1-5
<ul style="list-style-type: none"> Differentiate between currency futures & options Differentiate between futures and forward contracts Elaborate on the players in the futures market Discuss the differences in American terms options and European terms options How can futures contracts be used to hedge international transactions? How can performance bonds be utilized in settling futures contracts? Elaborate on the differences between a speculator and a hedger Understand the terms put, call, “in the money” and “out of the money regarding options 			
Class	Date	Topic	Assigned Reading
7	Feb. 24-Feb. 28	Exam I (Chapters 1-3, 5, & 7)	None
Test I			
Class	Date	Topic	Assigned Reading
8	Mar. 3-Mar. 7	Fx Exposure and Management Mini-case: Airbus’ Dollar Exposure	Ch. 8, Prob. # 1-8
<ul style="list-style-type: none"> Elaborate on the three forms of foreign exchange exposure Discuss issues and solutions in transaction exposure Differentiate between forward market, money market, and options market hedges Define hard currency and soft currency Elaborate on various hedging strategies Explain the leading and lagging approach Why is hedging beneficial for a multinational corporation? Rate the USA Sovereign Debt Worksheet due Thursday March 6 @ 5 PM 			
NOTE: No Class for the week of March 10-March 14 due to Spring Break			
Class	Date	Topic	Assigned Reading
9	Mar. 17-21	International Banking and Money Market	Ch. 11, Prob. # 1-4
<ul style="list-style-type: none"> Discuss the various forms of international banks What are the primary reasons for international banking? Discuss the reasons and rationale of the Basel Accords Describe various international money market instruments 			

<ul style="list-style-type: none"> • Discuss how the TED spread is used as a measure of credit risk • Describe the pros and cons of the Glass-Steagall Act of 1933 			
Class	Date	Topic	Assigned Reading
10	Mar 24-28	World Financial Markets	Ch. 12, Prob. # 1-2 Ch. 13, Prob. # 1-2 Mini-Case: Sara Lee Corporation's Eurobonds
<ul style="list-style-type: none"> • Discuss the major players in world bond markets • Discuss the various types of bonds in international finance • Describe some international bond market indexes • Discuss the major players in world equity markets • Discuss various methods of trading in international equities • Describe some international equity market benchmarks • Discuss the pros and cons of crowd trading • Elaborate on the advantages of ADR's 			
Class	Date	Topic	Assigned Reading
11	Mar. 31-Apr. 4	Interest Rate and Currency Swaps International Portfolio Investment Mini-Case: Centralia Corp Currency Swap	Ch. 14, Prob. #1,2,4,7-8 Ch. 15, Prob. # 1-6
<ul style="list-style-type: none"> • Describe the various types of swaps • Swap Transactions –How can businesses hedge their interest rate risk? • Swap Transactions –How can businesses hedge their currency risk? • Itemize various international investment alternatives • Describe how an optimal international portfolio can be constructed • Describe international correlation in your own words • Define home country bias and discuss why it persists 			
Class	Date	Topic	Assigned Reading
12	Apr. 7-11	Test II (Ch. 8, 11-15)	None
Test II			
Class	Date	Topic	Assigned Reading
13	Apr. 14-18	Multinational Cash Management	Ch. 19, Prob. #1
<ul style="list-style-type: none"> • Discuss basic strategies of managing international cash balances • What is bilateral netting and why is it important for multinational firms? • What is multilateral netting and why is it important for multinational firms? • Describe the risks and benefits of precautionary cash balance management 			
Class	Date	Topic	Assigned Reading
14	Apr. 21-25	Letters of Credit in international finance Mini-Case: American Machine Tools, Inc	Ch. 20, Prob. # 1-2
<ul style="list-style-type: none"> • Discuss issues surrounding currency selection & credit checking • Discuss the different methods of payment in international trade • What is a bill of lading and why is it important? • Elaborate on the different types of letters of credit • Discuss the goals of the Ex-Im Bank of the US 			

- Elaborate on the benefits of forfeiting for an international business
- *RMA Article: Give Banks Credit for Boosting International Trade*

Class	Date	Topic	Assigned Reading
15	Apr. 28-30	Developing Country Contributions	JAPB Articles: <i>Economics of Microfinance</i> , <i>Journal of Asia-Pacific Business</i> , 10:1,97—106, 2009 <i>Emerging Market Real Estate Investment</i> , <i>Journal of Asia-Pacific Business</i> , 12:194–202, 2011 <i>Islamic Finance: Principles and Practice</i> , <i>Journal of Asia-Pacific Business</i> , 12:304–312, 2011

- Describe how microfinance differs from traditional finance
- Discuss the pros and cons of international commercial real estate investment
- Discuss the differences between Islamic finance and traditional finance
- How have Islamic finance and microfinance fared in the financial crisis?
- How has developing country commercial real estate investment fared in the financial crisis?

Class	Date	Topic
16	May 1-May 3	Final Exam (Ch. 19, 20, Emerging Markets)

Final Exam: Real World Application in International Finance