



LNDN BUSN 3373 International Finance

CAPA LONDON PROGRAM

Course Description

The International Finance module provides an understanding of finance in the international context. In a globally integrated world, it has become imperative to trade, invest and conduct business operations internationally. The course exposes the students to the opportunities and risks associated with international finance. As the world has become more integrated due to deregulation of financial markets, product innovation and technology, capital markets have kept pace with this integration. The study of international finance has therefore become essential and builds upon the understanding of theoretical concepts of finance and their adaptation to the international context. The course coverage includes historical perspectives and foundations of international finance, the foreign exchange markets and exchange rate determination, exposure management, financial management of a multinational firm. The course also helps students examine the current economic landscape through topical discussions of current economic and political development and their impact on international finance.

Localized Context:

With its global presence, CAPA offers students the opportunity to enrich their academic experience by exposing and exploring the localized context of the CAPA London Centre. While the UK is not a member of the Eurozone (countries using the Euro currency), it has deep economic and financial links with other European countries. In the global foreign exchange market daily turnover of \$5 trillion, London is the leading participant, handling 40% of the world's foreign exchange business. London's pre-eminent role in the international financial markets dates back to its being the capital of the British Empire as well as the various market innovations developed in the UK since the 1980s. The International Finance students will be expected to develop and expand their understanding of this local context of the UK's role in the global and European marketplace. The research paper project provides the students an opportunity to explore this localized context and to demonstrate their learning outcomes from this unique opportunity provided studying International Finance at the CAPA London Centre.

Course Aims

The broad aims of the course are to provide students with the necessary understanding of how international financial markets work, how exchange rates and why currency values fluctuate, and how to manage risk in the global markets. In addition, the course will support student learning through site visits to cultural and financial centers and provide an in-depth understanding of the process and techniques used to make international investment decisions.

Requirements and Prerequisites

Students must have a business background and have taken an introductory finance course. The course emphasizes this academic area from a global perspective. Students with a high degree of motivation and desire to learn about the international and global aspects of business will benefit from this course.

Learning Outcomes

After taking this course, students should be able to:

- a. Gain a broad understanding of the key issues in international finance.
- b. Develop an understanding of the political and economic context within which international finance operates.
- c. Apply the various theoretical aspects of the principles of finance in an international context.
- d. Gain a good working knowledge of the operations and key issues surrounding international capital flows, foreign direct investment, foreign exchange rate determination and exposure management, international capital markets and institutions, and develop an understanding of how the financial management of a multinational firm works.

Developmental Outcomes

Students will develop the following skills during this course:

- a. Problem analysis
- b. Critical thinking
- c. Working independently and as part of a team
- d. Personal reflection
- e. Goal orientation
- f. Self-confidence

Class Methodology

This class will be participative and will require students to contribute individually and as part of a team. The course content and delivery will create a framework where students reflect critically on the weekly discussion topics. The students will be expected to devote an hour per day keeping up with the current issues in international finance. (Expected reading sources should include The Economist, Financial Times and The Wall Street Journal). The teaching and learning methods will be a blend of the following:

- a. Lectures
- b. Reflections & observations
- c. Readings on current topics
- d. Class discussions
- e. Student presentations and/or a research paper.

Field Components

CAPA provides the unique opportunity to learn about the city through direct, guided experience. Participation in field activities for this course is required. You will actively explore the Global City in which you are currently living. Furthermore, you will have the chance to collect useful information that will be an invaluable resource for the essays/papers/projects assigned in this course.

The assigned field component(s) are:

Foreign exchange markets have a global turnover of approx. \$5 trillion daily. Nearly 40% of this turnover goes through London, making it the global centre for international finance. As part of this course, field trips will be arranged to the Bank of England, the City of London and Canary Wharf (the hubs of international finance in London). Further, it is strongly recommended that students attend topical evening talks and lectures at the London School of Economics and Political Science, where prominent economists, political leaders and members of civil society present their views on current economic and financial events.

Mid-Term & Final Exams

The **mid-term and final exam** consist of either short questions with open answers on topics covered in class to date (45 minutes) and/or short essay writing on thematic clusters (2 hours). More elaboration and instructions will be provided by the Instructor after the first week of classes.

Assessment/Grading Policy

Descriptor	Alpha	UK	US	GPA
Excellent	A	75+	93+	4.0
	A-	70-74	90-92	3.7
Good	B+	66-69	87-89	3.3
	B	63-65	83-86	3.0
	B-	60-62	80-82	2.7
Average	C+	56-59	77-79	2.3
	C	53-55	73-76	2.0
Below Average / Poor	C-	50-52	70-72	1.7
	D+	46-49	67-69	1.3
	D	40-45	60-66	0.7
				1.0
Fail	F	<40	<60	0

Grade Breakdown and Assessment of Learning Outcomes

Assessment Task	Grade %	Learning Outcomes	Due Date
Class participation/Small group discussion	10%	All	Weekly
Mid-term exam	20%		Week 5
Short questions (5%) and/or Essay (15%)			
Group Oral Presentation	20%		Week 12
1 X 15-20 min. group presentation			
Individual Research Paper	20%		Week 13
Final Exam	30%	Week 14	
Short questions (10%) and/or Essay (20%)			

Assignments

Students must complete all required components for this course by the established deadlines. Failure to do so will result in a reduction of the course grade and may result in a grade of F for the course in question.

Research Paper & Class Presentation Assessment Guidelines

Class Presentations: Week 12
Submission Deadline: Week 13

Provide an outline of your essay, the theoretical background, data and findings of your case study and the conclusions. Please note that this presentation is a group effort and should be limited to 10 slides and 15 minutes (max). There will be a Q&A session following the presentation. The students will be given feedback on their presentations and will be expected to incorporate this feedback into their final research paper submissions.

Research Paper Guidelines

Select any one of the topics that we will be covering in this course. Bear in mind that these topics/chapters are rather broad and you will need to narrow down your research topic significantly. You should identify a small aspect of the theoretical discussion that interests you and focus sharply on it. In other words, you should not be providing a general overview of the chapter(s).

The next step is to identify a case study or identify sufficient data that fits your selected topic. You may choose current or recent economic/financial events or alternatively examine an event/s from a historical perspective. The course outline provides you ample guidance on sources of such data. (Please do not start with a case study and then try to find the theoretical basis for it. This will not be efficient.)

The final step will be to provide a thorough analysis. How does the case study or evidence fit into the theoretical discussion? Are the facts consistent with the theory? Explain why (or why not). What lessons did you learn from this project? This analysis will carry the highest weight for this assignment.

To obtain an A grade, the submission will have to meet ALL three requirements: (1) theoretical discussion; (2) good presentation of case study; and (3) thorough analysis. Any submissions that do not meet all the criteria will be downgraded.

All papers may be written in a style with which you are comfortable, writing in either first or third person and, if this helps your expression and organization of ideas, you may use headings to aid the structure. However, whatever style you adopt, remember that this is an academic assignment and you should cite references where appropriate to all sources. In the body of the text, references should state in parenthesis, the author's family name followed by the year of publication – (Smith, 2013). At the end of the paper you must insert a bibliography containing only those works cited in the essay.

You will provide 2 status updates through the term (Weeks 6,11) on the progress you have made to date on your projects. These updates can either be an oral or a written brief report which will enable the Instructor to provide you with the necessary guidance and feedback. It is important that you come well prepared for these status updates.

Localised Context:

The students are required to identify relevant research paper topics within the localised context of the UK and Europe to benefit from their presence in London, the UK and Europe. These research paper topics should be discussed with the Instructor in advance. Preparatory work would include developing good reading sources such as the Financial Times, the Economist and the Wall Street Journal to gain a better understanding of the localised context.

Dress Code

Casual – Smart Casual

Course Materials

Required Readings:

Eun, C., Resnick, B. (2014) – International Finance (McGraw Hill, 7th Global Edition).

It is fine to use later editions or online versions of the textbook. You could obtain used copies of the book at substantial discounts through the online marketplace. The book is also available for electronic download through the publisher.

The international financial sections of the Wall Street Journal, Business Week, the Economist and Financial Times are recommended reading for this course. Students should either have a subscription, or access, to a copy of these publications. Other readings relevant to the subject matter being discussed will be assigned during the semester. References taken from Wikipedia are not acceptable.

Recommended Reading(s):

Use will be made of selected excerpts and handouts drawn from Journal, magazine and newspaper articles on current events, PowerPoint slides prepared by the authors of the textbooks and by the Instructor. These will be distributed and discussed in class during the course duration.

Weekly Course Schedule

WEEK 1	
Lesson Number / title	Introduction to International Finance
Meeting time and Venue	
In-class activity	Introductions, student interests, relevant prior coursework & experience Course map, format, required work and assessments Review of research paper guidelines – detailed guidelines posted in this syllabus
Readings	<u>Chapter 1</u>
WEEK 2	
Lesson Number / title	International Monetary System & Balance of Payments
Meeting time and Venue	
In-class activity	Historical perspectives of the International Monetary System Gold standard Exchange rate regimes – pegs, fixed, floating, currency boards, etc. The Euro and European Monetary System Review of historical currency crises Overview of Balance of Payments
Readings	<u>Chapter 2,3</u>
WEEK 3	
Lesson Number / title	Foreign Exchange Markets, Exchange Rate Determination & Currency Derivatives – part 1
Meeting time and Venue	
In-class activity	Function & structure of the foreign exchange market International finance in practice – market mechanics Spot & forward rate determination Interest Rate parity
Readings	<u>Chapter 5,6</u>
WEEK 4	
Lesson Number / title	Foreign Exchange Markets, Exchange Rate Determination & Currency Derivatives – part 2
Meeting time and Venue	
In-class activity	Interest rate parity (contd.) Purchasing Power Parity & International Fisher Effect Forecasting foreign exchange rates Foreign exchange futures & options Other hedging strategies – Money Market Hedge Carry trades
Readings	<u>Chapter 5,6,7</u>
WEEK 5	
Lesson Number / title	MID-TERM
WEEK 6	
Lesson Number / title	World Financial Markets & Institutions – part 1

Meeting time and Venue	
In-class activity	International Banking & Money Markets International Bond Markets International Equity Markets Research paper 1 st status update
Readings	<u>Chapter 11,12,13</u>
Assignments	<u>Research Paper 1st Status Update</u>
WEEK 7	
Lesson Number / title	<u>BREAK WEEK</u>
WEEK 8	
Lesson Number / title	Field Study
Meeting time and Venue	
In-class activity	Guest Lecturer or Field Study Activity: Details TBC by Instructor
Out-of-class activity	
WEEK 9	
Lesson Number / title	World Financial Markets & Institutions – part 2
Meeting time and Venue	
In-class activity	Interest Rate & Currency Swaps International Portfolio Investment
Readings	<u>Chapter 14,15</u>
WEEK 10	
Lesson Number / title	Foreign Exchange Exposure & Management
Meeting time and Venue	
In-class activity	Management of Economic, Transaction & Translation exposure
Readings	<u>Chapter 8, 9, 10</u>
WEEK 11	
Lesson Number / title	Financial Management of the Multinational Firm – part 1
Meeting time and Venue	
In-class activity	Foreign Direct Investment & Cross Border Acquisitions International Capital Structure & the Cost of Capital Research paper 2 nd status update
Readings	<u>Chapter 16, 17</u>
Assignments	<u>Research Paper 2nd Status Update</u>

WEEK 12	
Lesson Number / title	Financial Management of the Multinational Firm – part 2
Meeting time and Venue	
In–class activity	International Capital Budgeting Multinational Cash Management Group presentation limited to 10 slides & 15 minutes (max)
Readings	<u>Chapter 18, 19</u>
Assignments	<u>Group Presentations</u>
WEEK 13	
Lesson Number / title	Financial Management of the Multinational Firm – part 3
Meeting time and Venue	
In–class activity	International Trade Finance International Tax Environment and Transfer Pricing Course review – what have we learned?
Readings	<u>Chapter 20, 21</u>
Assignments	<u>Individual Research Paper Submission deadline</u>
WEEK 14	
Lesson Number / title	Final Exam
Meeting time and Venue	
In–class activity	Final Exam

Attendance, Participation & Student Responsibilities

Attendance: CAPA has a mandatory attendance policy. Attendance is taken at the beginning of every class. Unauthorized absence from class will result in a reduction of the final grade and potentially a failure for the course.

Missing classes for medical reasons: If you need to miss a class for medical reasons or for a family emergency, **you must send an e-mail** to let the academic affairs team know at least one hour in advance of your class or meeting at the following e-mail: excused.absence@capa.org. Note that calling the CAPA Centre (0207 370 7389) is acceptable only if you do not temporarily have access to the internet. An e-mail is still required as quickly as you can get access to the internet again. You will need to provide evidence of the reason for your absence. Unexcused absences will result in a grade reduction. In the event of a missed class or field trip, it is your responsibility to contact your instructor and make up any missed assignments.

Class Participation: Students are expected to participate actively and critically in class discussions, and the participation portion of the class will be graded accordingly. Students must read assignments BEFORE the class, and come in on time. Participation is a vital part of your grade: students are expected to participate orally in seminars and in online forums and discussions in a critical and evaluative manner; to interact with the faculty and fellow students with respect and tolerance; and to actively engage in discussion. Derogatory or inflammatory comments about the cultures, perspectives or attitudes of others in the class will not be tolerated.

Academic Integrity: A high level of responsibility and academic honesty is expected. Because the value of an academic course depends upon the absolute integrity of the work done by the student, it is imperative that a student demonstrates a high standard of individual honor in his or her scholastic work and class behavior. Plagiarism and cheating will result in dismissal from the program. See the Handbook of CAPA Academic Policies for more information and resources on plagiarism.

Use of electronic equipment in class: All devices such as laptops, i-pods, i-pads, netbooks, notebooks and tablets, smartphones, cell phones, etc. are **NOT** allowed unless you have express permission from the faculty or you have been instructed to do so. If you require an accommodation to use any type of electronic equipment, inform the Associate Director of Academic Affairs at the beginning of Term.

Use of Electronic Translators: In Language courses students are NOT allowed to use electronic translators for writing texts in the target language: those submitting compositions and texts of whatever kind translated in such a fashion will receive a final F grade for the course.

Late Submission: Late submission of papers, projects, journal entries, pieces of homework and portfolios is only permitted with prior approval. A request must be made to the relevant Faculty member no later than two days prior to the due date. Late submission without prior approval will result in a full alpha grade penalty. In either case, work cannot be submitted after feedback has been provided to the rest of the class on the relevant assessment or one week after the due date whichever comes first, after which point a grade of F will be given for the assessment.

Behaviour during Examinations: During examinations, you must do your own work. Unless specifically instructed by the lecturer or instructor, talking during an exam is not permitted, nor may you compare papers, copy from others, or collaborate in any way. Any failure to abide by examination rules will result in failure of the exam, and may lead to failure of the course and disciplinary action.