

School of Economics and Finance

MMAF511 INTERNATIONAL CORPORATE FINANCE

Trimester Two 2011

COURSE OUTLINE

Contact Details

The course co-ordinator is Jennifer Foo. Preferred contact is by email. Email address: jfoo@stetson.edu.

The administrator for this course is Anna Potts, RH 307. She can be contacted on (04) 463 6148 or viaf-programme@vuw.ac.nz

Lecture times Weekly: Friday 15:40-17:30, RWW315

Trimester dates

Teaching Period: Monday 11 July to Friday 16 October 2011

Study Period: Monday 17 October to Thursday 20 October 2011

Examination Period: Friday 21 October to Saturday 12 November 2011 (inclusive)

Note: Students who enrol in courses with examinations should be able to attend an examination at the University at any time during the formal examination period.

Withdrawal from Courses:

1. Your fees will be refunded if you withdraw from this course on or before 22 July 2011.
2. The standard last date for withdrawal from this course is Friday 23 September. After this date, students forced to withdraw by circumstances beyond their control must apply for permission on an 'Application for Associate Dean's Permission to Withdraw Late' including supporting documentation

The application form is available from either of the Faculty's Student Customer Service Desks.

Course Content

The objective of this course is to provide a focus on international corporate practices of multinational companies operating in a global environment. Coverage includes the international financial markets, the foreign exchange market and exchange rate determination, the financing of international business, and the development of global strategies in international business. Although I will try to follow the class syllabus and objectives closely, adjustment may be necessary depending on time constraints. Supplementary material, assignments or cases may be handed out and discussed in class.

This class is designed to engage you in learning by participating actively in team work as we explore international finance concepts and skills through case application. You are required to do

your homework in self directed study by reading each chapter and material before coming to class each week. This will prepare you with the knowledge and background to discuss the topic related to the case. Reading the chapter before coming to class is therefore essential. It will not work if you try to read the chapter while trying to work on the case. Active contribution to the group is a must. Frequent absences will not only hurt your grade but also impact members of your groups.

Course Learning Objectives

By course completion, students should be able to:

- Describe the different International Monetary Systems
- Identify the basic factors affecting exchange rates in a floating rate system.
- Explain how global financial crisis can occur and the global contagion through global integration.
- Describe the conditions of International Parity Conditions
- Identify profitable currency arbitrage opportunities and calculate the profits associated with those arbitrage opportunities.
- Recommend the basic hedging strategy and techniques to be used by firms in specific situations to manage their currency transaction and translation risks.
- Describe interest rate and currency swaps and demonstrate how they can be used to reduce financing costs and risk.
- Know the different currency derivatives and relate how they are used by multinational corporations as hedging tools.
- Explain how speculators speculate on anticipated exchange rates.
- Distinguish the different exchange rate exposures faced by multinational corporations
- Describe the different techniques to manage exchange rate exposures.
- Identify key indicators of political and country risk and economic health

These learning objectives will be assessed via one test, 2 assignments, final exam, cases, and group performance.

Course Delivery

The course will be delivered via weekly lecture. Material may also be communicated by email and Blackboard. Students are responsible for ensuring their email address is kept up to date in MyVictoria and checking Blackboard regularly.

Lectures during contact hours will be used to introduce core finance concepts and theories while chapter assignments, group work and discussions will be the main conduit of learning through active participation. You are expected to take responsibility for your own learning and to enhance the learning environment through your active contribution. You will work on the assigned case as a group. The case brings together the knowledge from your chapter reading to enable you to evaluate the different aspects of international business. **Each group must have access to a laptop.** Make arrangements with your group members to bring at least one laptop to class.

Answers to each case are to be typed and submitted electronically to me on the date due.

In answering the case questions for each case, you should:

1. Show how the materials and chapter topics being covered in class relate to the case.
2. Bring in relevant current events and issues from other sources related to the case or topic to support your answers (access to the internet/ internet exercises at the end of the chapter may be helpful) to add new concepts and applications to the topic.
3. Make every effort to emphasize how multinational companies operate in a global environment or country.
4. Discuss its relevance and how it might be applicable to you in the business world. Be sure to include citations if used.

5. I am aware that answers may be available on the internet. Any plagiarism of the answers (which may or may not be correct) posted online and copied will be heavily penalized. As graduate students, you are to come up with your OWN original answers through careful analysis of the case questions based on what we covered in class, your acquired knowledge and your own comprehensive research on the subject material. Cutting and pasting from sources even with citation is not original and thoughtful analysis.

Team Work and Group Presentations

You are responsible for forming your own team and fostering camaraderie in your team. One of the learning objectives of the class is to promote a learning environment where you learn from and motivate each other. You can be an effective member of the team by contributing to the team effort, being prepared for class and communicating effectively. At the end of the course, you will be evaluated by your teammates as to your contribution to the team effort.

It is suggested that you present your case analysis briefly, concisely, and engage the class using appropriate audio/visual/learning aids in an interactive manner. Solicit questions from your classmates and be creative to facilitate learning.

A group will be selected each class to make a 15 minute presentation summary of the case to the class. The presenting group's case will be graded. However, each non-presenting group is still required to submit their case assignment on the due date as well. Although not graded, at the end of the course non-presenter groups' cases will be assigned a total of 5 points. This will ensure that all groups will put their best effort in preparing and analysing each case in anticipation of the possibility of being selected. This will help you to develop and sharpen your analytical and oral speaking skills in the corporate world.

In your presentation:

1. Give an introduction of the topic being covered and how the case relates to it.
2. Give a brief summary of the case.
3. Discuss your answers to the case questions and emphasize the most salient points of the case.
4. Conclude with a summary of the case and topic and your recommendation/opinion on the case and its relevance to you or work.

There will also be 2 written assignments over the course period. The individual assignments will assess your comprehensive knowledge of the cases and your effort in your self-directed research and study of the topics and material covered in class. The details and the requirements of the assignments and due dates will be announced in class.

Warning: If you use quotations, phrases and words of authors without proper citation, you are plagiarizing. Plagiarism occurs when you copy large amounts of an author's work without referencing it. If in doubt about an activity or the consequences, please refer to the <http://www.victoria.ac.nz/home/study/plagiarism.aspx> . Plagiarism is a violation of intellectual property and you will receive an automatic zero for your paper.

Reading Guide/Schedule of Topics		
Week	Class Preparation and Reading	Case Assignments*
1 Jul 11	Globalization and the Multinational Enterprises <i>Chapter 1</i> Current Multinational Financial Challenges: The Credit Crisis of 2007-2009 <i>Chapter 5</i>	Letting go of Lehman Brothers Pg 132
2 Jul 18	The International Monetary System Chapter 3	The Revaluation of the Chinese Yuan <i>Pg. 71</i>
3 Jul 25	The Foreign Exchange Market Chapter 6	The Venezuelan Bolivar Black Market <i>Pg. 157</i>
4 Aug 1	The Balance of Payments <i>Chapter 4</i>	Turkey's Kriz (A): Deteriorating Balance of Payment <i>Pg. 99</i>
5 Aug 8	International Parity Conditions – Purchasing Power Parity <i>Chapter 7</i>	Big Mac Index <i>Handout</i>
6 Aug 15	<i>TEST (1hour and 15mins)</i>	
Aug 18	Assignment 1 Due	
7 Sep 5	Foreign Currency Derivatives <i>Chapter 8</i>	Capital Crystal Inc. <i>Handout</i>
8 Sep 12	Interest Rate and Currency Swaps <i>Chapter 9</i>	McDonald's Corporation's British Pound Exposure <i>Pg. 251</i>
9 Sep 19	Transaction Exposure <i>Chapter 11</i>	Xian-Janssen Pharmaceutical (China) and the Euro <i>Pg.301</i>
10 Sep 26	Operating Exposure <i>Chapter 12</i>	Toyota's European Operating Exposure <i>Pg. 338</i>
11 Oct 3	Translation Exposure <i>Chapter 13</i>	LaJolla Engineering Services <i>Pg. 360</i>
Oct 6	Assignment 2 Due	
12 Oct 10	Direct Investment Theory and Political Risk <i>Chapter 18</i>	Is Walmart Good for America?
Oct 21 - Nov12	Final Exam Period	

*Materials and Case assignments may change or additional materials and case assignments may be handed out.

Readings

The textbook provided for the course is:

Multinational Business Finance, 12th ed, Eiteman, Stonehill and Moffett. 2010.

Some useful reading:

Multi national financing structure and best practice FX principles

www.greenwichtreasury.com/download/GTA_G31_report.pdf

History of NZ's currency, the role of the NZ central bank, and recent changes to their intervention tools.

http://www.rbnz.govt.nz/research/bulletin/2002_2006/2005mar68_1eckholdhunt.pdf

www.rbnz.govt.nz/finmarkets/foreignreserves/intervention/index.html

Materials and Equipment

It is necessary to bring a calculator to the class. During tests students will be allowed to use calculators, but not hand held computers or cell phones.

Grade Assessment

The final grade is based on the following weights. 90% of your grade is based on individual effort and 10% is based on group effort.

Test 1 25%	
Presented Cases and Presentation 15%	
2 Assignments 20%	(Due 18 th August, 6 th October)
Final Exam 40%	
Total	100%	

Note that students must attain an overall mark of 50% in order to achieve a passing grade.

Where applicable, word limits will be provided with the assignments.

Penalties

Each of the assignments will be marked out of a maximum that diminishes by 5% for every day late. Assignments should be submitted electronically via Blackboard. There will be a final cut off date one week after the due date for each assignment after which no assignment can be accepted. The assignments will each carry a specified word limit. If an assignment exceeds the word limit, credit will be given only from the beginning of the assignment up to the word limit. No credit will be given for the portion of work extending beyond the word limit.

Expected Workload

Total average workload of 200 hours. During the 12 weeks of the term, students will need to allow approximately 17 hours per week for study, research and preparation of assignments for this course.

Quality Assurance Note

Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning objectives as required for accreditation and audit purposes. The findings may be used to inform changes aimed at improving the quality of FCA programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.

Examinations

Students who enrol in courses with examinations are obliged to attend an examination at the University at any time during the formal examination period.

The final examination for this course will be scheduled at some time during the period from Friday 21 October – Saturday 12 November.

The examination for this course will be 2.5 hours.

Class Representative

A class representative will be elected in the first class, and that person's name and contact details made available to VUWSA, the Course Coordinator and the class. The class representative provides a communication channel to liaise with the Course Coordinator on behalf of students.

Communication of Additional Information

Additional information including assignment questions, details of the block course schedule, feedback on course assessments, etc will be provided via Blackboard, email or by post. Students are responsible for ensuring that the VIAF administrator, (email: viaf-programme@vuw.ac.nz), has their up to date email and postal addresses.

Use of Turnitin

Student work provided for assessment in this course may be checked for academic integrity by the electronic search engine <http://www.turnitin.com>. Turnitin is an on-line plagiarism prevention tool which compares submitted work with a very large database of existing material. At the discretion of the Head of School, handwritten work may be copy-typed by the School and subject to checking by Turnitin. Turnitin will retain a copy of submitted materials on behalf of the University for detection of future plagiarism, but access to the full text of submissions will not be made available to any other party.

For the following important information follow the links provided:

Academic Integrity and Plagiarism

<http://www.victoria.ac.nz/home/study/plagiarism.aspx>

General University Policies and Statutes

Find key dates, explanations of grades and other useful information at

www.victoria.ac.nz/home/study

Find out about academic progress and restricted enrolment at

<http://www.victoria.ac.nz/home/study/academic-progress.aspx>

The University's statutes and policies are available at www.victoria.ac.nz/home/about/policy, except qualification statutes, which are available via the Calendar webpage at

<http://www.victoria.ac.nz/home/study/calendar.aspx> (See Section C).

Further information about the University's academic processes can be found on the website of the Assistant Vice-Chancellor (Academic) at

www.victoria.ac.nz/home/about_victoria/avcacademic/default.aspx

AVC (Academic) Website: information including: Conduct, Academic Grievances, Students with Impairments, Student Support

http://www.victoria.ac.nz/home/about_victoria/avcacademic/Publications.aspx

Faculty of Commerce and Administration Offices

<http://www.victoria.ac.nz/fca/studenthelp/>

Te Putahi Atawhai

Maori and Pacific Mentoring Programme

http://www.victoria.ac.nz/st_services/tpa/index.aspx