SYLLABUS (DRAFT)

IBUS6301, INTERNATIONAL BUSINESS FINANCE

FALL 2012

Professor: Hein Bogaard, Assistant Professor of International Business
Office: Funger Hall, Room 402
Phone: (202) 994 0820
Email: hbogaard@gwu.edu

Office Hours: Mondays and Tuesdays 4:00 to 6:00 pm and by appointment

Course Description: This course provides an overview of the international financial environment within which multinational firms and financial institutions operate. It involves an analysis of the challenges firms face and the international financial management strategies to cope with these challenges. The course will cover three main topics – the transactions in the foreign exchange market; exchange rate risk and hedging strategies; and firm-related issues such as raising capital abroad, cost of capital for international projects and international capital budgeting. The course is quantitatively intensive.

Time and Location: Tuesdays, 7:10 – 9:40 pm, Duques 151

Prerequisites: MBAD 6234 (Financial Management). In addition students will be expected to have successfully completed MBAD 6241 (Global Perspectives).


Cases: Cases can be purchased on www.study.net

Blackboard and additional readings: I will post lecture notes and (links to) additional materials during the semester. You should keep up with the news on international financial markets through the Economist, the Financial Times or the Wall Street Journal. Keeping up with current events will improve your performance on exams.

Learning Objectives: On completion of the course, students should

- Have an understanding of global capital markets and exchange rates
- Be able to analyze spot and derivative (forwards, futures, options and swaps) transactions in the foreign exchange market and fundamental parity conditions
- Be capable of identifying the way in which firms can be expose to exchange rate uncertainty and compare and contrast the options for with this uncertainty
- Know how to apply the principles of capital issuance and capital budgeting of financial decisions to an international context
- Be able to apply the above concepts to the decisions faced by any financial manager
Course organization: Classes include a mix of lectures, cases, article discussions and group activities. Lecture notes and relevant news reports will be posted on Blackboard (www.blackboard.gwu.edu) before class and you are encouraged to download or print them. You are expected to check the course website regularly before and after each class. Please bring a calculator to every class.

Grading: The final grades for this course will be based on a weighted averaged of the following exams and assignments:

<table>
<thead>
<tr>
<th>Exams/assignments</th>
<th>Date / Due date</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exam 1</td>
<td>October 2, 2012</td>
<td>25 %</td>
</tr>
<tr>
<td>Exam 2</td>
<td>November 6, 2012</td>
<td>25 %</td>
</tr>
<tr>
<td>Problem set 1</td>
<td>September 18*</td>
<td>7.5 %</td>
</tr>
<tr>
<td>Problem set 2</td>
<td>October 23*</td>
<td>7.5 %</td>
</tr>
<tr>
<td>Case 1 (team)</td>
<td>September 25*</td>
<td>10 %</td>
</tr>
<tr>
<td>Case 2 (team)</td>
<td>October 30*</td>
<td>10 %</td>
</tr>
<tr>
<td>Case 3 (team)</td>
<td>December 7*</td>
<td>15 %</td>
</tr>
</tbody>
</table>

* Problem sets and case write-ups are due before the beginning of class on blackboard

Exams The exams, on Tuesday, October 2, 2012, and on Tuesday, November 6, 2012 are closed book, but it is recommended that you bring a calculator. The exams consist of a combination of quantitative and conceptual. Class notes (including your own) are the guide to what you need to know for an exam. The textbook provides alternative explanations for the concepts discussed in class, more extensive readings and practice problems.

Problem sets There are two problem sets that are due on September 18 and October 23. They focus on calculations related to exchange rates and exchange rate hedging. The problem sets are individual assignments (you are not allowed to cooperate or discuss the problem sets with other students in any fashion).

Cases Case write-ups are due on September 25, October 30 and December 7. Instructions for the write-ups can be found at the end of this syllabus. The cases are group work and groups will be formed on the first day of class. Case grades will be based on the quality of the write-ups and participation in the class discussion of the case.

Participation Students are expected to do the readings before class and to be ready to participate in class discussion. Students who prepare and participate will get more out of this class and a lack of preparation will hurt both you and your fellow students. It is good practice to let me know if you will be absent from a regular class, but you are expected to attend the classes in which we discuss the cases. There is no formal grade for participation, but I will weigh participation in decisions about the rounding of final grades.

Absence / Late Assignments Absence from an exam will lead to a score of zero unless a valid reason for absence has been established before the exam takes place. Late submissions of the problem sets and case write-ups are not accepted.
Disability services Any student who may need an accommodation based on the potential impact of a disability should contact the Disability Support Services office at 202-994-8250 in the Marvin Center, Suite 242, to establish eligibility and to coordinate reasonable accommodations. For additional information please refer to: gwired.gwu.edu/dss/

Academic Integrity Conduct and all work in this course must be in accordance with the GW Code of Academic Integrity. Academic dishonesty is defined as cheating of any kind, including misrepresenting one’s own work, taking credit for the work of others and the fabrication of information.

Any assignment including plagiarized content will receive zero points and violations of the code of the GW Code of Academic Integrity will be reported to the Office of Academic Integrity.

It is the student’s responsibility to be familiar with policies regarding academic integrity and plagiarism. If you are ever in doubt about whether something is, or is not permissible you should ask for clarification and/or take the safe option. Please visit the following website for more information: www.gwu.edu/~ntegrity/code.html

Office Hours I consider office hours a part of class. You should not hesitate to stop by to discuss class materials, cases, problem sets, exams, or just to say hello. You do not need an appointment during regular office hours, but if you cannot make these times due to work, conflicting classes or for any other reason, please do not hesitate to contact me to set up an appointment.

Syllabus This syllabus provides a broad outline of the course. The dates for exams and submission of cases and problem sets are firm. However, depending on the progress we make or on developments in international financial markets, I may make adjustments during the semester.
TENTATIVE SCHEDULE

Part 1: Foreign Exchange Market

Learning objectives

- Understand what exchange rates mean, how they are quoted and how exchange rates between various currencies are related.
- Understand what currency appreciations and depreciations are and how they are related to interest rate differentials (Interest Rate Parities) and the value of money (Purchasing Power Parity).
- Be familiar with derivative instruments in the foreign exchange market (futures, swaps, and options), their relationship to spot and forward rates and their role in exchange risk management.

Class 1, August 28: The International Financial Environment

READ: Chapters 1, 2, 3

Class 2, September 4: The Foreign Exchange Market – Spot and Forward Transactions

READ: Chapter 5

Class 3, September 11: International Parity Conditions

READ: Chapter 6, HBS note on Foreign Exchange Markets and Transactions (except futures and options)

Class 4, September 18: Futures and Options

READ: Chapter 7, HBS note on Foreign Exchange Markets and Transactions (futures and options)

Problem Set 1 due at the beginning of class

Class 5, September 25: Case Discussion / Review

CASE: Vanguard Securities Corporation

Case write-up due at the beginning of class

Class 6, October 2: EXAM 1
Part 2: Foreign Exchange Risk Exposure and Hedging

Learning objectives:

- Identify different types of exchange rate risks faced by companies with international operations
- Analyze the reasons a firm engages in hedging (or not)
- Understand and design hedging policies

Class 7, October 9: Transaction Exposure

READ: Chapter 8

Class 8, October 16: Translation & Economic Exposure

READ: Chapter 9, 10

Class 9, October 23: Currency and Interest Rate Swaps

READ: Chapter 14, HBS Note on foreign currency swaps

*Problem Set 2 due at the beginning of class*

Class 10, October 30: Case Discussion / Review

CASE: BMW Currency Hedging 2007

*Case write-up due at the beginning of class*

Class 11, November 6: EXAM 2
Part 3: Financial Management of the Multinational Firm

Learning objectives:

- Understand how MNCs raise capital abroad and which instruments they might use.
- Consider choices with regard to international capital structure
- Explore the role of (corporate) governance in international financing decisions

Class 11, November 6: International Capital Markets (I)

READ: Chapters 11, 12

Class 12, November 13: International Capital Markets (II)

READ: Chapter 13, HBS Note: An Overview of Project Finance

Class 13, November 20: Foreign Investment and Acquisitions

READ: Chapter 16

Class 14, November 27: International Capital Structure or Trade Finance and Tax

READ: Chapter 17, 18 / Chapters 20, 21

(selection of topics based on class preferences)

Class 15, December 7: Case Discussion / Wrap-up

CASE: Financing the Mozal Project (Case Write-Up Due)
Cases

There are three case studies, one at the end of each of the three parts of the course. The cases provide insight into the challenges faced by companies that engage in international financial transactions. In the context of this course, the cases give students the opportunity to apply the tools developed in the course to real problems. As you will quickly find out, there is no single correct solution to these problems. Consequently, a good case write-up does not just recommend a preferred solution, but provides arguments in favor and highlights the assumptions made to arrive at the recommendation (and the potential risks associated with it).

Write-ups The case write-up is expected to be in the form of an essay or executive memo of no more than three single-spaced pages (excluding tables and exhibits). The memo should be in a 12 pt font with one-inch margins and I strongly prefer a serif font, such as Times New Roman, over a sans-serif font such as Arial.

Preparation Carefully read the case, including the tables, figures and other exhibits. Use the questions that accompany the case to analyze it and to determine which of the concepts and tools that we discussed in class apply to the case.

Recommendation The cases generally invite you to make a recommendation about the course of action that a company should take. Choosing what to recommend will generally require some quantitative analysis (e.g. to calculate the cost of hedging strategies). Any recommendations should be specific and you should be able to support them with arguments.

Writing your memo It is not necessary to review the entire case in your write-up, but it is important that you use key facts and numbers that support your argument (I know the cases, but you should not assume I know each and every number; use your best judgment in deciding what and what not to include; I should be able to read your memo without having to go back to the case and check). Do not just write an answer to each of the discussion questions, but incorporate them (as necessary) in your text.

Exhibits You are free to use as many tables and figures as you like to support your arguments. However, make sure that exhibits are easy to understand and that they are relevant and referred to in the text.

Language Please proofread your memo and check spelling and grammar. Avoid lengthy and complicated sentences. If you force yourself to write clearly, you are likely to catch any arguments that are weak or need clarification.

Sourcing Use notes to exhibits to clarify the source of your data. If you use any supplementary sources, be sure to identify them in a footnote or otherwise. Failure to do so constitutes plagiarism.

Group work The cases are expected to be group work, but that includes only your group. You are not allowed to discuss the case outside of your group.

Class discussion The cases will be discussed in class after you have handed them in. This is an additional opportunity to display your knowledge of the case and you or your group can be called on to answer specific questions.