



UNIVERSITÀ  
CATTOLICA  
del Sacro Cuore



**Ramon Llull University, IQS School of Management - Barcelona  
Catholic University of the Sacred Heart - Milan  
Franklin University Switzerland - Lugano  
Forum-Nexus Program  
Undergraduate Division**

### **Course Syllabus**

## **FIN 496-SIS International Finance**

### **Course Description**

This course offers a broad introduction to the workings of the global financial system, the dynamics of the main financial markets, the nature and goals of the key financial institutions, the crucial role played by central banks and regulatory agencies, and the ways in which exchange rate risks can be minimized.

### **Course Requirements**

This course requires independent research, organization, and academic discipline. Students are expected to complete the required readings in pace with their assignments and the course outline. Students will meet with their SIS Supervising Professor regularly throughout the course for consultation and assistance. There will be an oral presentation, a final exam, and four essay assignments.

### **Required Textbook**

**International Financial Management**, 13<sup>th</sup> Ed.

by Jeff Madura

Cengage Learning, 2018

Kindle Edition recommended

### **Main Topics**

1. International Flow of Funds
2. International Financial Markets
3. Exchange Rate Determination
4. Government Influence on Exchange Rates
5. Relationships among Inflation, Interest Rates, and Exchange Rates
6. Exchange Rate Risk Management
7. Forecasting Exchange Rates
8. Transaction Exposure, Economic Exposure and Translation Exposure
9. Direct Foreign Investment

- 10. Country Risk Analysis
- 11. Financing International Trade

### **Course Requirements**

This course requires independent research, organization, and academic discipline. Students are expected to complete the required readings in pace with their assignments and the course outline. Students will meet with their SIS Supervising Professor regularly throughout the course for consultation and assistance. There will be an oral presentation, a final exam, and four essay assignments.

#### **Essay #1**

- What are typical reasons why MNCs expand internationally?
- Explain why unfavorable economic or political conditions affect the MNC's cash flows, required rate of return, and valuation.
- Identify the main risks faced by MNCs that expand internationally.

#### **Essay #2**

- Explain how changes in various economic factors affect the U.S. current account balance.
- Explain the functioning and the importance of each of the following:
  - Foreign exchange markets
  - International money markets
  - International credit markets
  - International bond markets
  - International stock markets
- Describe how various economic and political factors can affect the equilibrium exchange rate of the Euro with respect to that of the dollar.

#### **Essay #3**

- Explain each of the following. When is it most appropriate for each to be used?
  - Currency forward contracts
  - Currency futures contracts
  - Call options
  - Put options
- Explain each of the following exchange rate systems
  - Fixed
  - Floating
  - Pegged

What are the advantages and disadvantages of each?  
How can governments influence the exchange rate in each case?

- What is triangular arbitrage
- Assume that the following spot exchange rates exist today:

£1 = \$1.50

C\$ = \$.75

£1 = C\$2

Assume no transaction costs. Based on these exchange rates, can triangular arbitrage be used to earn a profit?

- Explain the theory of interest rate parity
- You go to a bank and are given these quotes:
  - You can buy a euro for 14 Mexican pesos. The bank will pay you 13 pesos for a euro. You can buy a U.S. dollar for .9 euros. The bank will pay you .8 euros for a U.S. dollar. You can buy a U.S. dollar for 10 pesos. The bank will pay you 9 pesos for a U.S. dollar. You have \$1,000.
- Can you use triangular arbitrage to generate a profit? If so, explain the order of the transactions that you would execute and the profit that you would earn.
- If you cannot earn a profit from triangular arbitrage, explain why.
- Explain purchasing power parity (PPP) theory
- Explain the four most common forecasting techniques

#### **Essay #4**

- Explain how to best manage foreign exchange
  - Transaction exposure
  - Economic exposure
  - Translation exposure
- Why do MNC's engage in direct foreign investment?
- How do MNC's assess country risk?
- What are the advantages of using letters of credit?

#### **Presentation**

Deliver a 15-minute PowerPoint presentation summarizing the main findings of your independent study.

#### **Components of Final Grade**

Essay #1	10%
Essay #2	10%
Essay #3	10%
Essay #4	10%
Presentation	20%
Final exam	40%

#### **Grading Scale**

93-100 %	A
90-92.9 %	A-
87-89.9 %	B+

83-86.9 %	B
80-82.9 %	B-
77-79.9 %	C+
73-76.9 %	C
70-72.9%	C-
67-69.9 %	D+
63-66.9 %	D
60-62.9 %	D-
Below 60 %	F

### **Academic Integrity**

Ramon Llull University, Franklin University Switzerland, and the Catholic University of the Sacred Heart place a high value on the integrity, good conduct, and academic honesty of all students. Students are expected to maintain high standards of academic integrity at all times. Any instance of academic dishonesty, including plagiarism, will result in a grade of F for the course.