

Minnesota State University Moorhead

FINC 445: International Financial Management

A. COURSE DESCRIPTION

Credits: 3

Lecture Hours/Week: 3

Lab Hours/Week: 0

OJT Hours/Week: *.*

Prerequisites: FINC 340

Corequisites: None

MnTC Goals: None

International Financial Management is the sub-area of finance that studies the international investment decisions concerning real and financial assets. This course is intended for students who wish to learn the concepts and theories of modern multinational financial management. International Financial Management gives participants a solid theoretical and practical background that serves to better understand 1) the determinants of currency exchange rates, 2) the importance of risk management in a Multinational Corporation (MNC), and 3) the particularities of corporate finance and corporate governance in a global context.

B. COURSE EFFECTIVE DATES: 06/01/1995 - Present

C. OUTLINE OF MAJOR CONTENT AREAS

D. LEARNING OUTCOMES (General)

1. Analyze the main principles behind International Parity Conditions, including the Law of One Price (Purchasing Power Parity), Interest Rate Parity, Cross Exchange Rate Equilibrium, Relative Purchasing Power Parity, Forward Rates as Predictors of Future Spot Rates, and International Fisher Relation. Identify that some of these conditions will hold because of the possibility of arbitrage opportunities and others will hold in the long-term because of the possibility of earning speculative profits.
2. Describe how the International Financial Markets, the Eurocurrency markets, and the foreign exchange (FX) markets operate and how they are interrelated.
3. Describe the main participants and the characteristics of the foreign exchange (FX) market and analyze some of the information contained in the latest report about the FX market published triennially by the Bank for International Settlements (www.bis.org).
4. Describe the rationale for hedging currency risk by a MNC identifying the main benefits and costs.
5. Describe the relationship between the World Trade and the International Monetary System, focusing the attention in the integration of the financial markets and markets for goods/services and the effect of adopting different exchange rate systems (floating, fixed or pegged). Some important historical events are covered, including the creation and objectives of some important financial institutions like the World Bank and the International Monetary Fund.
6. Identify arbitrage opportunities and perform arbitrage strategies, in particular Covered Interest Arbitrage and Triangular Arbitrage are explained in detail.
7. Identify the main financial and operational strategies that a MNC can adopt to hedge currency risk associated to monetary assets and liabilities in a foreign currency.
8. Identify the strategies to minimize country risk and what are the main effects of government regulation.
9. Know how to perform capital budgeting analysis for a foreign project whose cash flows and/or financing will be in the foreign currency.
10. Know the basics of currency forwards, currency futures, currency options and currency swaps.
11. Know the main benefits and risks associated to raising capital in a foreign currency.
12. Recognize what the main benefits and potential risks associated to the corporate decision of operating in different countries. Also, identify the main entry modes depending on the uncertainty faced in the country where operations are beginning.
13. Understand the concepts of how the (nominal or real) appreciation of a country's currency affects the economy at large and the corporations based in this country, depending on if they are net exporter or importers.
14. Understand the main FX quotation conventions and the concept of forward premium/discount.

E. Minnesota Transfer Curriculum Goal Area(s) and Competencies

None

F. LEARNER OUTCOMES ASSESSMENT

As noted on course syllabus

G. SPECIAL INFORMATION

None noted