

**MBA F716  
International Financial Management  
Winter 2020 Course Outline**

**Finance and Business Economics  
DeGroote School of Business  
McMaster University**

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***COURSE OBJECTIVE***

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The goal of this course is to examine the factors encountered by multinational financial manager in making financing and investment decisions with a global perspective. It also involves the understanding of the macroeconomic environment governing international business.

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***INSTRUCTOR AND CONTACT INFORMATION***

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**Time: Wednesday 7:00 - 10:00 pm**  
**Location: RJC**

**Dr. Peter Miu**  
Instructor

[miupete@mcmaster.ca](mailto:miupete@mcmaster.ca)

Office: DSB 320

Office hours: By appointment

Tel: (905) 525-9140 x 23981

**TBA**

Teaching Assistant

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***COURSE ELEMENTS***

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Credit Value:	3	Leadership:	Yes	IT skills:	No	Global view:	Yes
Avenue:	Yes	Ethics:	No	Numeracy:	Yes	Written skills:	Yes
Participation:	Yes	Innovation:	Yes	Group work:	Yes	Oral skills:	Yes
Evidence-based:	Yes	Experiential:	No	Final Exam:	Yes	Guest speaker(s):	No

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## ***COURSE DESCRIPTION***

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Central to the understanding of international financial management is the concept of exchange rate risks. We will study the economics underlying the determination of exchange rates and the related parity conditions. We will discuss the foreign exchange markets and the tools that can be used to hedge exchange rate risks such as options, futures and swaps contracts. We will also examine how the accounting and economic exchange rate exposures can be effectively managed. We will then discuss the risk-return trade-off in international investments. Finally, we will examine the financing options available to multinational financial manager and how cost of capital can be determined.

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## ***LEARNING OUTCOMES***

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Upon completion of this course, students will be able to complete the following key tasks:

- Appreciate the financial challenges and opportunities encountered by multinational corporations;
- Understand the economic determinants of foreign exchange rate and the role of the central bank in the foreign exchange (FX) and money markets;
- Recognize the relations among interest rate, inflation rate and foreign exchange rate in the spot and futures markets;
- Measure and manage accounting and economic foreign exchange exposures;
- Understand the economics and decision factors in international financing and investments.

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## ***REQUIRED COURSE MATERIALS AND READINGS***

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*Multinational Financial Management*, 10th edition, by Alan C. Shapiro, John Wiley & Sons, 2014 (available from the McMaster bookstore). Further reading materials may be suggested by the instructor during the lectures. Slides and other teaching materials can be downloaded from A2L. Students are encouraged to keep themselves up-to-date with current issues in international finance, as they will be discussed in class when appropriate. Case material can be purchased from the publisher website for case analysis and report. Students are also advised to practice on the selected end-of-chapter questions and problems suggested by the instructor.

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## ***EVALUATION***

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The components of the course grade will be weighted as follows. The instructor reserves the right to modify the weightings to adjust for more or less material covered during the semester.

### **Components and Weights**

Participation	In-class Contribution (individual)	15%
Assignment	Numerical and/or Essays (group)	15%
Mid-Term Exam	Exam (individual)	25%
Case Report	Case Analysis and Report (group)	15%
Final Exam	Exam (individual)	30%
<b>Total</b>		<b>100%</b>

NOTE: The use of a McMaster standard calculator is allowed during examinations in this course. See McMaster calculator policy at the following URL:

[www.mcmaster.ca/policy/Students-AcademicStudies/UndergraduateExaminationsPolicy.pdf](http://www.mcmaster.ca/policy/Students-AcademicStudies/UndergraduateExaminationsPolicy.pdf)

### **Grade Conversion**

At the end of the course your overall percentage grade will be converted to your letter grade in accordance with the following conversion scheme:

LETTER GRADE	PERCENT	POINTS
A+	90-100	12
A	85-89	11
A-	80-84	10
B+	75-79	9
B	70-74	8
B-	60-69	7
F	00-59	0

## **Communication and Feedback**

Students that are uncomfortable in directly approaching an instructor regarding a course concern may send a confidential and anonymous email to the respective Area Chair or Associate Dean:

<http://mbastudent.degroote.mcmaster.ca/contact/anonymous/>

Students who wish to correspond with instructors or TAs directly via email must send messages that originate from their official McMaster University email account. This protects the confidentiality and sensitivity of information as well as confirms the identity of the student. Emails regarding course issues should NOT be sent to the Administrative Assistant.

### ***Assignment***

There is an assignment, which is worth **15%** of the final grade. The assignment is made up of numerical and/or essay questions that can be completed and submitted **individually or with at most two classmates**.

### ***Case Report***

There is a case report; which is worth **15%** of the final grade. Credits are given based on both the analysis performed and the presentation of the report. The report **cannot be longer than FOUR pages** (not including appendices, if necessary). It can be completed and submitted **individually or with at most two classmates**.

### ***Mid-Term and Final Exam***

Both mid-term and final examinations are cumulative and to be completed individually.

### ***Participation***

Name cards are used to help give credit for your participation. You must have a name card with your **full first and last name** clearly written and displayed in front of you for every class.

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## ***ACADEMIC DISHONESTY***

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You are expected to exhibit honesty and use ethical behaviour in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity.

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behaviour can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: “Grade of F assigned for academic dishonesty”), and/or suspension or expulsion from the university.

It is your responsibility to understand what constitutes academic dishonesty. For information on the various types of academic dishonesty please refer to the Academic Integrity Policy, located at:

[www.mcmaster.ca/academicintegrity](http://www.mcmaster.ca/academicintegrity)

The following illustrates only three forms of academic dishonesty:

1. Plagiarism, e.g. the submission of work that is not one’s own or for which other credit has been obtained.
2. Improper collaboration in group work.
3. Copying or using unauthorized aids in tests and examinations

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## ***MISSED ACADEMIC WORK***

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### ***Missed Mid-Term Examinations / Tests / Class Participation***

Where students miss a regularly scheduled mid-term or class participation for legitimate reasons as determined by the Student Experience – Academic (MBA) office, the weight for that test/participation will be distributed across other evaluative components of the course at the discretion of the instructor. Documentation explaining such an absence must be provided to the Student Experience – Academic (MBA) office within five (5) working days upon returning to school.

To document absences for health related reasons, please provide to Student Experience – Academic (MBA) office the Petition for Relief for MBA Missed Term Work and the McMaster University Student Health Certificate which can be found on the DeGroote website at <http://mbastudent.degroote.mcmaster.ca/forms-and-applications/>. Please do not use the online McMaster Student Absence Form as this is for Undergraduate students only. University policy states that a student may submit a maximum of three (3) medical certificates per year after which the student must meet with the Director of the program.

To document absences for reasons other than health related, please provide Student Experience – Academic (MBA) office the Petition for Relief for MBA Missed Term Work and documentation supporting the reason for the absence.

Students unable to write a mid-term at the posted exam time due to the following reasons: religious; work-related (for part-time students only); representing university at an academic or varsity athletic event; conflicts between two overlapping scheduled mid-term exams; or other extenuating circumstances, have the option of applying for special exam arrangements. Such requests must be

made to the Student Experience – Academic (MBA) office at least ten (10) working days before the scheduled exam along with acceptable documentation. Instructors cannot themselves allow students to unofficially write make-up exams/tests. Adjudication of the request must be handled by Student Experience – Academic (MBA).

If a mid-term exam is missed without a valid reason, students will receive a grade of zero (0) for that component.

### ***Missed Final Examinations***

A student who misses a final examination without good reason will receive a mark of 0 on the examination.

All applications for deferred and special examination arrangements must be made to the Student Experience – Academic (MBA) office. Failure to meet the stated deadlines may result in the denial of these arrangements. Deferred examination privileges, if granted, must be satisfied during the examination period at the end of the following term. There will be one common sitting for all deferred exams.

Failure to write an approved deferred examination at the pre-scheduled time will result in a failure for that examination, except in the case of exceptional circumstances where documentation has been provided and approved. Upon approval, no credit will be given for the course, and the notation N.C. (no credit) will be placed on the student's transcript. Students receiving no credit for a required course must repeat the course. Optional or elective courses for which no credit is given may be repeated or replaced with another course of equal credit value.

Requests for a second deferral or rescheduling of a deferred examination will not be considered.

Any student who is unable to write a final examination because of illness is required to submit the Application for Deferred MBA Final Examination and a statement from a doctor certifying illness on the date of the examination. The Application for Deferred MBA Final Examination and the McMaster University Student Health Certificate can be found on the DeGroot website at <http://mbastudent.degroot.mcmaster.ca/forms-and-applications/> Please do not use the online McMaster Student Absence Form as this is for Undergraduate students only. Students who write examinations while ill will not be given special consideration after the fact.

In such cases, the request for a deferred examination privilege must be made in writing to the Student Experience – Academic (MBA) office within five business days of the missed examination.

Special examination arrangements may be made for students unable to write at the posted exam time due to compelling reasons (for example religious, or for part-time students only, work-related reasons):

- Students who have religious obligations which make it impossible to write examinations at the times posted are required to produce a letter from their religious leader stating that they are unable to be present owing to a religious obligation.
- Part-time students who have business commitments which make it impossible to write examinations at the times posted are required to produce a letter on company letterhead from the student's immediate supervisor stating that they are unable to be present owing to a specific job commitment.

In such cases, applications must be made in writing to the Student Experience – Academic (MBA) office at least ten business days before the scheduled examination date and acceptable documentation must be supplied.

If a student is representing the University at an academic or athletic event and is available at an overlapping scheduled time of the test/examination, the student may write the test/examination at an approved location with an approved invigilator, as determined by the Student Experience – Academic (MBA) office.

In such cases, the request for a deferred examination privilege must be made in writing to the Student Experience – Academic (MBA) office within ten business days of the end of the examination period.

Note: A fee of \$50 will be charged for a deferred exam written on campus and a fee of \$100 for deferred exams written elsewhere. In cases where the student's standing is in doubt, the Graduate Admissions and Study Committee may require that the student with one or more deferred examination privileges refrain from re-registering until the examination(s) have been cleared.

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### ***STUDENT ACCESSIBILITY SERVICES***

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Student Accessibility Services (SAS) offers various support services for students with disabilities. Students are required to inform SAS of accommodation needs for course work at the outset of term. Students must forward a copy of such SAS accommodation to the instructor normally, within the first three (3) weeks of classes by setting up an appointment with the instructor. If a student with a disability chooses NOT to take advantage of an SAS accommodation and chooses to sit for a regular exam, a petition for relief may not be filed after the examination is complete. The SAS website is: <http://sas.mcmaster.ca>

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### ***POTENTIAL MODIFICATION TO THE COURSE***

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The instructor and university reserve the right to modify elements of the course during the term. The university may change the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to check their McMaster email and course websites weekly during the term and to note any changes.

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### ***ACKNOWLEDGEMENT OF COURSE POLICIES***

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Your registration and continuous participation (e.g., on A2L, in the classroom, etc.) to the various learning activities of MBA F716 will be considered to be an implicit acknowledgement of the course policies outlined above, or of any other that may be announced during lecture and/or on A2L. **It is your responsibility to read this course outline, to familiarize yourself with the course policies and to act accordingly.**

Lack of awareness of the course policies **cannot be invoked** at any point during this course for failure to meet them. It is your responsibility to ask for clarification on any policies that you do not understand.

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**COURSE SCHEDULE**


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**MBA F716  
International Financial Management  
Winter 2020 Course Schedule**

WEEK	DATE	MAIN TOPICS AND DESCRIPTIONS	TEXTBOOK CHAPTER	EVENT
1	Jan-08	Introduction Determination of exchange rate	Chapter 1 and 2	
2	Jan-15	Role of central bank Monetary system	Chapter 2 and 3	
3	Jan-22	Purchasing power parity Fisher effects	Chapter 4.1-4.4	
4	Jan-29	Interest rate parity Unbiased nature of forward rate	Chapter 4.5-4.8	
5	Feb-05	Spot foreign exchange markets Forward contracts	Chapter 7	
6	Feb-12	Futures contracts Currency options	Chapter 8	<b>Assignment due</b>
7	Feb-19	<b>No class: Mid-term recess</b>		
8	Feb-26	<b>Mid-term exam</b>		
9	Mar-04	Interest rate and currency swaps	Chapter 9.1	
10	Mar-11	Measuring and managing FX exposures (Part I)	Chapter 10 and 11	
11	Mar-18	Measuring and managing FX exposures (Part II)	Chapter 10 and 11	
12	Mar-25	International cost of capital Capital budgeting	Chapter 14	
13	Apr-01	International financing International capital markets	Chapter 12 and 13	
14	Apr-08	International portfolio investment	Chapter 15	<b>Case report due</b>