International Financial Management (FIN 428)
Spring 2009

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Office Hours: M 12:30 – 1:30 and by appointment
Day and Time: Section A: MW 8:30 – 10:20
Section B: MW 10:30 – 12:20
Class Room: BLM 303
Course Web Site: Blackboard

Teaching Assistant: Atsushi Chino, achino@u.washington.edu

Course Description
Companies engaging in cross-border business as well as investors allocating capital globally face important financial questions beyond those found in a purely domestic (single country) setting. This course aims at providing the necessary understanding and tools to evaluate, finance, and manage international business and investment activities. While emphasis will be on the practical application of techniques and concepts, we will also study underlying economic and institutional forces.

In the context of international finance, understanding foreign exchange rates is crucial. Therefore, this course begins with an overview of the macroeconomic forces that determine exchange rates. We then examine the challenges for firms created by unexpected changes in foreign exchange rates. We also discuss how, if at all, these firms should manage their exposure to currency fluctuations.

Next, we broaden our focus and study how to discount non-USD cash flows, accounting for international differences in inflation, taxation, and risk.

We then turn to financing decisions and show how firms can use global capital markets to lower their financing costs.

Finally, we examine the opportunities of global investing from the perspective of an institutional investor.
Course Objective
The course is designed to prepare you for real-life situations where you have to structure a problem and collect information before you can actually address a given question.

The course addresses a wide range of topics in finance. Students who have taken only the introductory finance course (FIN 350) sometimes find this course quite challenging. If your finance background is still limited, be prepared to work hard. I strongly encourage all students to work in groups (see below for details).

Course Format
After introducing the formal framework of international finance, we will discuss several business cases in class.

Course Material
- Required: Two Course Packs available at the University Bookstore
  One course pack (CP) contains the required readings. A second course pack contains the business cases we will discuss in this course.
- Required Access: Blackboard (BB)
  I will post additional reading material on Blackboard. I will also post my lecture notes, assignments, tasks (see below) and case-relevant material on Blackboard.

Prerequisites
You should be familiar with the content typically covered in the following courses:

- FIN 350, in particular discounted cash flow valuation
- QMETH 201, in particular the concepts of mean, variance, covariance, correlation, and regression
- I BUS 300, in particular foreign exchange rates

You should also be comfortable using Excel to manipulate data, to calculate means, variances, covariances, and correlations as well as to run a simple OLS regression using the Data Analysis Toolpak. Please make sure that Excel’s Data Analysis Toolpak is installed on your computer. If it is not, please install it right away (go to Tools -> Add-Ins -> ToolPak).

Requirements
I expect that you come prepared to each class. Your preparation should include reading the assigned material as well as preparing the case that will be discussed during a given session.

I will assign five tasks that you should complete before class. Tasks are designed to expose you to details of a given topic or a case. They require material that you are already familiar with and material that is new and will only be discussed in detail after you have submitted the task. Tasks are hence more like real-world problems that you could be given on your first job after college. I recommend that you work on these tasks in groups (of up to three students – no exceptions). Three of the five tasks will be graded (that is you have to hand them in - see the course outline below for details). If you cannot make it to class, you must email me your task solution before class. I will not accept any late tasks. Please hand in one print-out per group. Also make sure the
names (in alphabetical order) of all group members are on the first page of your solution.

Finally, please remember that even though form without substance is meaningless, form still matters. You should prepare all graded material for this course in a form that meets professional standards: This includes dating any material, numbering the pages, labeling graphs and tables, and, most importantly, expressing yourself in a concise manner.

Case discussions are an important part of this course. Case discussions require your preparation as well as participation. To help you with the preparation, I will post a number of questions for each case on Blackboard. At the beginning of class, you should be in a position to describe the set-up of the case, the main questions at hand, the possible solutions, and the reasons why you favor one solution over another. Clearly, at times, you will not have reached a definite answer on what the “right” solution is; otherwise there would be little for you to learn from the class discussion. As long as you can express what aspects you would need to understand better or what additional information you would need to obtain, this is absolutely acceptable. On the other hand, if you are not sufficiently prepared, you should alert me before class, as I will call on individual students during case discussions.

The midterm exam will be an in class exam held during a regular class meeting. The exam will be closed book, but you are allowed to bring a single handwritten “cheat-sheet” (letter sized, two sided). If you cannot take the midterm exam on the scheduled date, please make sure you discuss this matter with me in advance.

To help you study the material for the midterm and final exam, I will provide you with three homework assignments. You can again work in groups of up to three students. If you do, please turn in one copy per group.

I will also provide you with practice questions throughout the course. At least one question on each exam will come from these practice questions.

The final exams are scheduled for Tuesday, June 09, 2009, 8:30-10:20, BLM 206 (Section A) and for Monday, June 08, 2009, 830-1020, BLM 206 (Section B). The final exam covers all material discussed in the course. It is open book. If you cannot take the final exam on the scheduled date, please make sure you discuss this matter with me in advance.
Grading
Grades will be based on the following requirements:

Class Participation: 15.0%
Homework Assignments (three): 15.0%
Tasks (three): 15.0%
Midterm Exam: 25.0%
Final Exam: 30.0%

The target median grade for this course is in the range of 3.3 to 3.4.

Feedback
It is important to me to know about any concerns or questions you might have. I also appreciate any comments on the course, in particular about lectures or cases that you find particularly helpful or not helpful at all. Please feel free to stop by my office or send me an email if you would like to talk to me.

Course Outline
The course outline is subject to change depending on actual progress. Please note the dates for the midterm and final exam will not change. Clearly, the exams will only cover the material actually covered in class by the time of the exam. As necessary, I will post updated course outlines on Blackboard.
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<td>Demand and Supply for Foreign Exchange (FX)</td>
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<td>Foreign Exchange (FX) Rates: Markets and Statistics</td>
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<td>CP: Eun and Resnick, Chapter 6 (134 - 151)</td>
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