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LINCOLN UNIVERSITY DBA PROGRAM

International Finance (BA 414)

Spring Semester 2011

Professor: **Marshall J. Burak**

E-mail: mburak@lincolnuca.edu

Catalog Description

BA 414 – International Finance

A study of the theory and practice of international monetary relations; the gold standard; the balance of payments; foreign exchange management and determination; foreign exchange controls; the Euro currency market; the international bond market; the virtue and functions of the IMF and the World Bank; the European Monetary System; the global debt crisis. A one-unit written research project and its oral presentation is a required part of this course. (4 units)

COURSE DESCRIPTION

The International Dimension of Financial Management

Today's business firms develop, grow and operate in an extremely complex, global and often fiercely competitive marketplace. Financial decisions that managers make must, therefore, be based on the most complete and current information available about key risk factors that can have very significant impact on the financial condition, performance and viability of the firm. Such decisions require inputs from many sources and disciplines and must, by virtue of their complexity, draw upon the skills, knowledge and experience of the entire management team. Successfully competing in a rapidly evolving global business environment depends upon management understanding changing economic conditions; multinational currency relationships; the differential impact of inflation, growth rates and interest rates between countries; and the ability to accurately assess financial and investment risk on a country by country basis.



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LEARNING OBJECTIVES

Most business firms you are likely to encounter today have some international business involvement. For some, it may only be dealing in import-export sales. For others, their international operations include foreign subsidiaries and complex product-market structures. All of these firms, no matter the intensity and degree of international business relationships have a need to understand the nature of this complex environment and protect themselves against risks not encountered domestically.

The financial risk of international business is, for most corporations, the most commonly encountered management concern. This course explores the strategic decision making options and alternatives available to financial managers who must protect the firm's cash flow, profitability, physical property and sources of investment capital in an unstable and often erratic business climate.

While no one can anticipate and protect the firm against all elements of risk there are a variety of management actions that can minimize the firm's exposure to such risks as currency fluctuations, limited access to new capital, restrictions on profit repatriation, illegal foreign payments and loss of invested capital. In this course students are expected to become proficient in determining, analyzing and recommending possible actions for countering financial risks. Students are also expected to develop an understanding of the underlying factors that create financial risks and uncertainty. Students are expected to present and discuss the financial manager's responsibilities in terms of the strategic planning and problem solving efforts required to effectively address the firm's financial position and risk exposure.

COURSE INSTRUCTIONS

I. GENERAL INSTRUCTIONS

This course will explore and discuss the financial manager's responsibilities, problems and need for strategic planning. Further, the unique aspects of financial analysis for international business will be presented and applied to real and/or simulated decision situations through selected text assignments and case studies. Text chapter problem assignments will be used to provide students will practice in applying tools and techniques for analyzing international financial issues and determining appropriate solutions for specific risks. Finally, current issues in international finance will be identified and their implications for management considered.

II. READING AND PROBLEM ASSIGNMENTS

Reading assignments from the text, *Multinational Business Finance*, provide background concepts and analytical tools useful in evaluating assigned cases.

Case assignments are used primarily for purposes of providing practice in the development of useful information forming the basis of management strategies and decision-making.



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Text chapter problems are assigned to provide students with an understanding of the application of financial tools and techniques for analyzing and determining possible solutions for international financial problems.

III. COMPREHENSIVE PROJECT AND RESEARCH REPORT

Successful completion of this course requires **DBA students** to undertake a research study investigating an international finance topic or issue. Topics for this project may be selected from those covered in the course outline or special topics discussed in class or identified to be of interest by the student. Projects may be either individual or team efforts. Instructions will be provided related to this assignment including assistance in selecting a topic for study and guidance in developing the research report. Time will be set aside during class meetings to consult with and support each student or team as they undertake their study assignment.

DBA student research projects require both a written and oral presentation. Student project written research reports will be evaluated and graded based on the appropriateness of the topic, the organization and structure of the study, the value and completeness of the content, the meaningfulness of the student's summary, conclusions and possible recommendations, the appropriate attribution of sources and the thoroughness of editing for spelling and correct English grammatical usage. Student oral presentations of their research projects will be evaluated and graded based on the organization and preparation of the presentation content, the ability to present the material in a concise, clear and convincing manner, and the importance and value of the new knowledge created and presented by the research study.

The final project oral and written report will be due to me by May 4th. The written report may be submitted either in hard copy or in electronic form by e-mail.

IV. EXAMINATIONS AND GRADING

A. Examinations will be designed to test for: 1) an understanding of and ability to apply the tools and techniques used to analyze and act upon international financial needs or issues and, 2) the ability to recognize their appropriate application toward creating an effective strategy for managing the firm's international financial risk exposure, investments and cash flows.

B. Basis for Grading

Mid-term examination	30%
Final examination	40%
Comprehensive Project	<u>30%</u>



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100%

Reading List for BA 314 – International Finance

Required Text:

Multinational Business Finance 12th Edition; Eiteman, Stonehill and Moffett; Prentice Hall; 2010; ISBN # 978-0-13-609668-9

Course Outline and Assignments

<u>Date/Day/Time</u>	<u>Topic</u>	<u>Reading & Case Assignments</u>
Part I Global Financial Environment		
Jan. 19, Wed. 12:30-3:15pm	Globalization & the Multinational Enterprise Financial Goals and Corporate Governance	Text: Chapters 1& 2 Problems 1-6 through 1-10, 2-11, 2-12, 2-13
Jan. 26, Wed. 12:30-3:15pm	The International Monetary System The Balance of Payments	Text: Chapters 3 & 4 Mini Case: Revaluation of The Chinese Yuan Problems 3-1 through 3-8, 3-10, 3-12, 3-14 Mini Case: Turkey's Kriz
Feb. 2, Wed. 12:30-3:15pm	Current Multinational Financial Challenges	Text: Chapter 5 Mini Case: Letting Go of Lehman Brothers Problems 5-1, 5-4, 5-5
Part II Foreign Exchange Theory and Markets		
Feb. 9, Wed.	The Foreign Exchange Market	Text: Chapters 6 &7



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12:30-3:15pm	International Parity Conditions	Problems 6-1 through 6-7, 6-10, 6-11, 6-12, 6-15, 6-16, 7-1 through 7-9, 7-11, 7-13, 7-16, 7-21
Feb. 16, Wed. 12:30-3:15pm	Foreign Currency Derivatives Interest Rate and Currency Swaps	Text: Chapters 8 & 9 Mini Case: Warren Buffett's Love-Hate Relationship with Derivatives Problems 8-1 through 8-6, 8-8, 8-9, 8-10, 9-1 through 9-9
Feb. 23, Wed. 12:30-3:15pm	Foreign Exchange Rate Determination and Forecasting	Text: Chapter 10 Mini Case: JPMorgan Chase's Forecasting Accuracy Problems 10-1 through 10-6, 10-10, 10-11, 10-12, 10-14
Mar 2, Wed.	Mid-Term Exam – Chapters 1-10	

Part III Foreign Exchange Exposure

Mar. 9, Wed. 12:30-3:15pm	Transaction Exposure Operating Exposure	Text: Chapters 11 & 12 Problems 11-1 through 11-8, 11-10, 11-12, 11-15, 11-18, 11-19, 11-20 Mini Case: Toyota's European Operating Exposure Problems 12-1, 12-4, 12-5, 12-10
Mar. 16, Wed.	No Class Meeting (Lincoln Spring Break)	



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Mar. 23, Wed.
12:30-3:15pm

Translation Exposure

Text: Chapter 13
Mini Case: LaJolla
Engineering Services
Problems 13-1 through 13-5
13-8

Part IV Financing the Global Firm

Mar. 30, Wed.
12:30-3:15pm

The Global Cost and Availability of Capital
Sourcing Equity Globally

Text: Chapters 14 & 15
Mini Case: Novi Industri
Problems 14-1 through 14-6,
14-8, 14-9, 14-10, 15-1,
15-2, 15-3, 15-4

Apr. 6, Wed.
12:30-3:15pm

Sourcing Debt Globally

Text: Chapter 16
Mini Case: Tirstrup
BioMechanics
Problems 16-1 through 16-5

Part V Foreign Investment Decisions

Apr. 13, Wed.
12:30-3:15pm

International Portfolio Theory and Diversification
Foreign Direct Investment Theory & Political Risk

Text: Chapters 17 & 18
Problems 17-1 through 17-3
Mini Case: Mattel's Chinese
Sourcing Crisis of 2007

Apr. 20, Wed.
12:30-3:15pm

Multinational Capital Budgeting

Text: Chapter 19
Mini Case: Trident's
Chinese Market Entry
Problems 19-1 through 19-7



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Part VI Managing Multinational Operations

Apr. 27, Wed.
12:30-3:15pm

Working Capital Management
International Trade Finance

Text: Chapters 21 & 22
Mini Case: Honeywell &
Pakistan Int'l Airways
Problems 21-1 through 21-6,
21-9, 22-1, 22-2, 22-6, 22-8

May 4, Wed.
12:30-3:15pm

Final Exam

**Note: DBA Research Reports are due in hard copy or by e-mail on
May 4th**