



Basic Information:

Title:	International Finance	Code:	FIN 447
Program:	BBIT	Credit Hours:	Three (03)
Sessions:	30 Class + Mid Term + Final Term	Pre-Requisite:	Micro

Course Description:

The course is designed to provide a rigorous understanding of the International Financial Mechanism, International Trade, Balance of Payments, Market for foreign Exchange and Exchange rate determination, floating, managed float and fixed exchange rate systems. To minimize the uncertainty of exchange rate fluctuation, the topic of forecasting exchange rate is also included in the course.

The course also focuses on the role of a financial manager in international perspective. The risk to the firm, due to exchange rate fluctuations is divided into Economic, transaction, and translation exposure. For each of these areas, attempt is made to answer the questions like: why and how do fluctuating exchange rates place the multinational firm at risk? What can the firm do to minimize the risk associated with fluctuating exchange rates?

Learning Outcomes:

After completing this course, you should be able to perform the following tasks:

- ✓ *Understand how international capital markets work*
- ✓ *Explain the differences between foreign exchange spot and forward markets*
- ✓ *Explain the concepts of international parity relations, such as interest rate parity*
- ✓ *Employ models to forecast foreign exchange rates*
- ✓ *Understand exchange rate exposure for a multinational corporation*
- ✓ *Use currency derivatives to hedge currency risk*
- ✓ *Make international investment and capital budgeting decisions*

Teaching Learning Methodology:

The formal teaching component of this course consists of active student participation in and contribution to all forms of teaching and learning i.e. lectures, discussions, research assignments and projects. Lectures will be twice a week of 90 min each.

Group Configurations:

One of the objectives of this course is to encourage and facilitate teamwork. Class will have to make a group of four for projects and research assignments. It is recommended that student will form their own groups. As a general guideline, your group should have members with diverse skill sets including people who are proficient or have aptitude for different subject areas.

Weekly Term Plan

Week	Lecture Contents
01.	<i>Multinational Financial Management</i>
02.	<i>International Flow</i>
03.	<i>International Financial Markets</i>
04.	<i>Exchange rate determination</i>
05.	<i>International Arbitrage and Interest Rate parity</i>
06.	<i>Relationships between inflation, interest rates and exchange rates</i>
07.	<i>Forecasting Exchange Rates</i>
08.	<i>Managing Transaction Exposure</i>
09.	Mid Term Examination
10.	<i>Managing Economic Exposure</i>
11.	<i>Direct Foreign Investment</i>
12.	<i>Multinational Capital Budgeting</i>
13.	<i>Country risk analysis</i>
14.	<i>Financing international trade</i>
15.	<i>Short Term Financing (STF)</i>
16.	Final Term Exam



Topics in Detail

Multinational Financial Management

Goal of MNC
Theories of International Finance
International Business Methods
International Opportunities
Exposure to International Risk
Overview of An MNC'S Cash Flows
Valuation Model for an MNC

International Flow of Funds

Balance of Payments
International Trade Flows
Factors Affecting International Trade Flows
Correcting A Balance of Trade Deficit
International Capital Flows
Agencies That Facilitate International Flows
How International Trade Affects MNCS

International Financial Markets

Motives for Using International Financial Markets
Foreign Exchange Market
Eurocurrency Market
Euro Credit Market
Eurobond Market
International Stock Markets
Comparison of International Financial Markets
International Stock Diversification

Exchange Rate Determination

Measuring Exchange Rate Movement
Exchange Rate Equilibrium
Factors That Influence Exchange Rates
Speculating on Exchange Rate

International Arbitrage and Interest Rate Parity

International Arbitrage
Interest Rate Parity
Correlation Between Spot and Forward Rates

Relationships Between Inflation, Interest Rates and Exchange Rates

Purchasing Power Parity
International Fisher Effect
Comparison of IRP, PPP and IFE Theories

Forecasting Exchange Rates

Why Firms Forecast Exchange Rates?
Forecasting Techniques
Forecasting Services

Forecast Errors

Managing Transaction Exposure

Transaction Exposure
Techniques to Eliminate Transaction Exposure
Limitations of Hedging
Hedging Long-Term Transaction Exposure
Alternative Hedging Techniques
How Transaction Exposure Management Affects an MNC'S Value

Managing Economic Exposure

Economic Exposure
Managing Translation Exposure
How Managing Economic Exposure Affects and MNC's Value

Direct Foreign Investment

Direct Foreign Investment
Decisions Subsequent to DFI
Host Government View of DFI
Impact of DFI Decisions on An MNC'S Value

Multinational Capital Budgeting

Subsidiary Vs. Parent Perspective
Input for Multinational Capital Budgeting
Multinational Capital Budgeting Example
Factors to Consider in Multinational Capital Budgeting
Impact of Multinational Capital Budgeting on An MNC'S Value

Country Risk Analysis

Why Country Risk Analysis Is Important
Political Risk Factors
Financial Risk Factors
Types of Country Risk Assessment
Techniques to Assess Country Risk
Comparing Risk Ratings Among Countries
Reducing Exposure to Host Government

Financing International Trade

Payment Methods for International Trade
Trade Finance Methods
Agencies That Motivate International Trade

Short Term Financing (STF)

Sources of STF
MNCS and Foreign Financing
Criteria for Foreign Financing



Text & Recommended Readings

- A. *International Financial Management*
Madura, Jeff (2014), South-Western College Publishing
- B. *International Finance, 8th Edition*
Levi, D. Maurice, , McGraw Hill (2013)
- C. *Multinational Financial Management, 9th E*
Shapiro, A. C., Prentice Hall (2013)

Assignment Specification

- 1. *Microsoft Word for Documentation*

Headings	Arial 11pt Bold
Normal Text	Times New Roman 10pt
Header Footer	Times New Roman 8pt
Paragraph	Single Line Spacing
	First Line Indent 1.0 cm
Page Margins	2 cm from each side

Grading Policy:

Final Grade for this course will be the cumulated result of the following term work both with relevant participation according to the quoted percentage.

Sessional	25%	Mid Term	35%	Final Term	40%
Assignments	10 %	Mid Term Exam	25%	Final Exam	30%
Quizzes	10%	Lab Work/ Lab Mid Exam	10%	Case Study/ Project/ Term Paper	10%
Presentations	05%				

Remember subdivision of Mid Term and Final Term Examination should be done only in case of very essential and major Grading Instruments.

Dishonest Practices & Plagiarism

Any student found responsible for dishonest practice/cheating (e.g. copying the work of others, use of unauthorized material in Grading Instruments) in relation to any piece of Grading Instrument will face penalties like deduction of marks, grade 'F' in the course, or in extreme cases, suspension and rustication from IBIT.

For details consult Plagiarism Policy of PU at <http://pu.edu.pk/dpcc/downloads/Plagiarism-Policy.pdf>

Grading System:

Letter Grade	Grade Point	Num Equivalence
A	4.00	85 – 100 %
A-	3.70	80 – 84 %
B+	3.30	75 – 79%
B	3.00	70 – 74 %
B-	2.70	65 – 69 %
C+	2.30	61 – 64 %
C	2.00	58 – 60 %
C-	1.70	55 – 57 %
D	1.00	50 – 54 %
F	0.00	Below 50 %
I	Incomplete	*
W	Withdraw	*

Norms to Course:

- ✓ Submission Date and Time for the term instruments is always **Un-Extendable**.
- ✓ 7 Absentees in class will be result in forced withdrawal. **(PU Policy)**
- ✓ Re-sit in Mid and Final Term will cause you a loss of 2 and 3 grade marks respectively. **(PU Policy)**
- ✓ This is your responsibility to keep track of your position in class evaluation units.
- ✓ After the submission date, NO excuse will be entertained.
- ✓ **Keep a copy of all submitted Grading Instruments.**
- ✓ Assignment is acceptable only in its Entirety.
- ✓ No make up for any assignment and quiz.
- ✓ Copied & Shared work will score Zero.
- ✓ Assignments are Individual.

Good Luck