

## **INTERNATIONAL FINANCE**

### **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 and how, if at all, firms should manage their exposure to currency fluctuations.

Next, we turn to financing decisions and show how firms can use global capital markets to lower their financing costs.

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

### **Course Objective**

The objective is to introduce a number of fundamental concepts and ideas and to apply them, at least as a starting point, when solving real-world problems.

On the macro-economic level, the course will enable you to evaluate global trade and capital flows and to think about long-run currency movements. On the corporate level, the course will provide you with frameworks and tools to identify and address exposure to currency risk and to compare global financing and investment opportunities available to firms.

### **Course Format**

The course combines lectures with several business cases and real world applications.

### **Course Material**

- Required Access to four business cases (use [this link](#) to purchase case access through HBS)
- Canvas: All material, including cases, additional readings, assignments, case-related data, and lecture notes are available on Canvas. All material is organized under “Modules” and by week (see below for details).
- Optional, but recommended for those that like a very good and comprehensive textbook: Bekaert and Hodrick, International Financial Management, 3rd Edition.

### **Prerequisites**

International Finance builds on models, concepts, and ideas from your “Global Economic Environment” course as well your introductory finance course.

From Global Economic Environment, the following topics will be particularly important for us:

- Inflation
- Monetary policy
- Term structure of interest rates.

From your introductory finance course, you will have to remember the following concepts:

- Real vs. nominal returns
- Risk and expected returns, diversification, systematic (beta) vs. idiosyncratic risk, CAPM
- Discounted cash flow valuation and NPV.

A summary of these concepts is available here for your review as needed.

### **General Course Organization on Canvas**

The course is organized under “Modules.” Each module corresponds to one week.

Some course work is asynchronous in form of recordings, group and individual assignments, and online discussions.

### **Live Zoom Meetings**

All live (i.e., synchronous) meetings will take place during our scheduled class times during the first five weeks of Spring quarter.

Since listening to someone lecture on Zoom is not very exciting, I have pre-recorded the lecture content of the class, so that you can watch it at your own pace as well as when convenient for you. Each module provides a sequence of videos and activities that should get you prepared for all assignments.

My general plan is to make our Monday classes (excluding the first one) optional and use them mainly for review, Q&A, and support with cases and homework assignment. If you strictly prefer a live lecture over a prerecorded lectures, I am also happy to go over the lecture material during Monday's classes. However, I ask that you let me know BEFORE a given Monday so that I can prepare accordingly.

Attendance of Wednesday classes is required. On Wednesdays, we will typically discuss a case or do some group activity. During these meetings, I will use a random call list to call on students, in particular, to present answers to specific case questions. You can always raise your hand for questions and additional participation.

### **Grading and Course Requirements**

In line with the school's recommendations, the target median grade will be around 3.5.

Your final grade will depend on the following (282 points total):

- Two individual homework assignments: 23%
- Four group assignments (3 small (15 points each) and 1 large (35 points)): 27%
- One team presentation (50 points): 17%

- Five brief online Discussions (5 points each): 12%
- Participation in five live Zoom classes (35 points total): 12%
- Three (ungraded) quizzes (5 points each): 5%
- Several polls (10 points total): 3%

All activities, except for participation in live Zoom classes, have been set up in Canvas to help you manage deadlines and monitor progress.

Specifically, there are two homework assignments to be worked on individually. You can ask or post questions about these online or during help sessions, but you cannot consult or discuss these with anyone else. However, to help you prepare for these two individual assignments, I have added three online quizzes. While the quizzes are ungraded, you will get points for completing them.

There are four group assignments. They are case related and, I think, manageable. The group-assignment related to last case due at the beginning of the last class is more involved and you should allow for enough time to work on it. Its weight is about twice the weight of the smaller ones.

Every week, there will be an online discussion related to a question that I will assign to two teams (for a list of topics please review the Discussions). Both teams will produce a short (**max 7 minutes**) recorded online team presentation (17% of team members' grade). The rest of the class will discuss these presentations through comments and questions to the teams that the teams have to handle. The rest of the class will have an impact in the grading of these presentations by either reporting (through a confidential survey) if either team changed their prior (for policy questions) or by reporting which team they would hire as advisors. Presenting teams are asked to respect the 7-minute time limit and might face deductions if ignoring it. The first team's presentation should be posted by the end of the first week, i.e., Sunday, April 4.

Your group/team compensation can change from one assignment to the other. For all group activities, including the team presentation throughout the five weeks, you have to form or join a group (Click on the People tab and then the Groups tab). The group size should not exceed 3 and can, of course, be smaller.

Given that you have seen many online classes by now (while I have taught only a few), I encourage you to reach out with suggestions and provide feedback as the course unfolds. I also appreciate your patience when aspects of the course or its delivery require adjustments.

### **Religious Accommodation**

Washington state law requires that UW develop a policy for accommodation of student absences or significant hardship due to reasons of faith or conscience, or for organized religious activities. The UW's policy, including more information about how to request an accommodation, is available at Faculty [Syllabus Guidelines and Resources](#). Accommodations must be requested within the first two weeks of this course using the Religious Accommodations Request form available at: <https://registrar.washington.edu/students/religious-ac>