



APPLIES TO ACADEMIC YEAR 2011/2012

## FIN 3633 International Financial Management

### Programme

Bachelor in Finance (3. year)

### Responsible for the course

Knut Sagmo

### Department

Department of Financial Economics

### Term

According to study plan

### ECTS Credits

7,5

### Language of instruction

English

### Introduction

Within business school curriculums, probably no area is more influenced by world integration than the area of investments and finance. Global economic integration and the ever-increasing interdependence between countries create new opportunities as well as risks for domestic and international corporations. The international dimension extends the field of corporate finance into currency and interest rate topics based on deviations from theoretically well-founded and recognized parity relationships. To future business executives and leaders, the importance of understanding how these parities (equilibrating forces) work, can not be overstated.

### Learning outcome

#### Acquired knowledge

Upon completion of the course, students are required to comprehend key concepts and analytics of international investments and finance such as;

1. Interest and currency risk from a corporate perspective;
2. distinction between currency exposure and risk from a corporate as well as investor perspective;
3. political risk influencing corporations' required rates of return on foreign direct and indirect investments.

#### Acquired skills

Upon completion of the course, students are required to master tasks such as:

- calculating parity-derived interest and currency rates between two countries for a given time-horizon
- calculating deviations from established international parity relationships
- estimating corporate economic consequences of interest rates and exchange rates deviating from international parity relationships
- estimating required rates of return compensating for business, financial, as well as political risks for international corporations

#### Reflection

Upon completion of the course, students are required to demonstrate attitudes compatible with appreciating international business. Such attitudes manifests themselves as behavior characterized by an understanding of the need to abide by international laws and regulations in all aspects of conducting business outside of national borders.

#### Prerequisites

This course is based on skills from other courses from the Bachelor of Finance program, such as

Securities' Law, Corporate Finance and Mathematical Analysis, Financial Management of Commercial Banks and Financial Investment Analysis.

#### Compulsory reading

##### Books:

Shapiro, Alan C. 2009. Multinational financial management. 9th ed. Wiley. New textbook. Latest edition will be used in class. Previous textbook: Eiteman et al; Multinational Business Finance (2010).

#### Recommended reading

**Books:**

Eiteman, David K., Arthur I. Stonehill, Michael H. Moffett. 2010. Multinational business finance. 12th ed. Pearson

**Course outline**

1. International Economics and Finance
2. Exchange Rate Theory
3. Exchange Rate Risk and Exposure
4. Exchange Rate Hedging
5. Foreign Direct Investment (FDI)
6. Financing the International Firm

**Computer-based tools**

Excel spreadsheets and and basic statistical software.

**Learning process and workload**

The course consists of 36 lecture hours and 9 hours of instructor-guided, in-class problem-solving. Students are recommended to allocate studying hours as follows:

Recommended use of hours:

Activity	Hours
Attendance in lectures	36
Problem-solving in class	9
Independent reading/preparation for class	120
Mandatory (four) work assignments	16
Preparation for the final examination	19
<b>Total</b>	<b>200</b>

**Coursework requirements (Mandatory)**

During the course three assignments of which one is a classroom tests of 45 minutes, and two are electronic assignments, will be set and distributed on It's Learning. The assignments given on It's Learning are to be submitted electronically. Two of these assignments must be approved in order for the student to be allowed to sit for the final examination. The examination takes place by the end of the lectures series. Administrative details will be provided in class.

Feedback on the assignment problems is provided in two ways:

1. It's learning sums up and automatically returns to students their overall score upon submission of the answers.
2. A review of the assignment problems is given during the first class-meet following each assignment.

**Use of hours**

36 hours - Lectures  
 9 hours - Problem-solving in class  
 45 hours total

**Coursework requirements**

In order to sit for the final exam, students must have a minimum of two of three assignments during the course approved. See Learning process and workload.

**Examination**

A five hour individual written examination concludes the course.

**Examination code(s)**

FIN 3633 Written examination counts 100% towards the final grade in FIN 3633 International Financial Management (7,5 ECTS credits).

**Examination support materials**

No support materials allowed except the BI-defined exam calculator TEXAS INSTRUMENTS BA Plus and interest rate tables. For more information, please visit our web-based Student Handbook at <http://bi.edu/studenthandbook/examaids>

**Re-sit examination**

A re-sit is possible in connection with the next ordinary course. Students not having obtained a passing score on the mandatory work assignments are required to submit a new series of four work assignments during the nest ordinary lectures series. Students failing the examination, or wishing to improve previous grades, may retake the examination conditional upon approval of

the semester's work assignments.

**Additional information**