



APPLIES TO ACADEMIC YEAR 2016/2017

GRA 6544 Multinational Corporate Finance

Programme

Master of Science in Finance, Specialization Course

Responsible for the course

Johann Reindl

Department

Department of Finance

Term

According to study plan

ECTS Credits

6

Language of instruction

English

Introduction

Learning outcome

To provide the participants with a sound understanding of financial decision-making in the multinational firm. Hence the course is applied in nature. However, whilst the course is presented from a managerial perspective, decision making is approached using firmly established theories in economics and finance. The course can be broadly split into three parts. The first part of the course examines international financial markets and the determination of exchange rates. In the second part we will consider the impact of exchange rates on the cash flows of firms. In particular we will learn how to measure and manage (hedge) how different cash flows are exposed to unexpected changes in exchange rates. The third part of the course focuses on some traditional issues in corporate finance such as capital budgeting, cost of capital, and investments in physical assets. However, we approach these issues from an international perspective.

Prerequisites

All courses in the Masters programme will assume that students have fulfilled the admission requirements for the programme. In addition, courses in second, third and/or fourth semester can have specific prerequisites and will assume that students have followed normal study progression. For double degree and exchange students, please note that equivalent courses are accepted.

Compulsory reading

Books:

Bekaert, Geert, Robert J. Hodrick. 2014. International financial management. 2nd ed. Pearson

Other:

During the course there may be hand-outs, cases, research articles, and other material on additional topics relevant for the course and the examination.

Recommended reading

Course outline

1. Introduction: Globalization and the Multinational Firm
2. The International Monetary System: Balance of payments and supply and demand in the FX-market, FX-rate regimes
3. Foreign Exchange Market: Market participants, contracts traded, FX-rate quotation, interbank market, market microstructure
4. Parity Relationships: covered and uncovered interest parity, purchasing power parity, international Fisher effect
5. Forecasting Exchange Rates: forecasting FX-rate level and variance, forecast performance measures, forecasts based on economic models and technical analysis, carry trades
6. Currency Futures and Options: pricing and hedging
7. Transaction (contractual) Exposure: financial hedging, special hedging problems, alternative hedging approaches
8. Operating Exposure: measuring this exposure, financial and operational hedging
10. Foreign Direct Investment, Political and Country Risks: determinants of country risk, measurement, and consequences for capital budgeting
11. Domestic and International Capital Structure and the Cost of Capital
12. Domestic and International Capital Budgeting

Computer-based tools

Learning process and workload

A course of 6 ECTS credits corresponds to a workload of 160-180 hours.

Please note that while attendance is not compulsory in all courses, it is the student's own responsibility to obtain any information provided in class that is not included on the course homepage/It's learning or text book.

Examination

The course grade will be based on the following activities and weights: Assignment 10%, Case work 20% and written examination 3 hours 70%.

Form of assessment	Weight	Group size
Assignment	10%	Group of max 3 students
Case work	20%	Group of max 3 students
Written examination 3 hours	70%	Individual

Specific information regarding student assessment will be provided in class. This information may be relevant to requirements for term papers or other hand-ins, and/or where class participation can be one of several components of the overall assessment. This is a course with continuous assessment (several exam components) and one final exam code. Each exam component is graded using points on a scale from 0-100. The final grade for the course is based on the aggregated mark of the course components. Each component is weighted as detailed in the course description. Students who fail to participate in one/some/all exam components will get a lower grade or may fail the course. You will find detailed information about the points system and the mapping scale in the student portal @bi. Candidates may be called in for an oral hearing as a verification/control of written assignments.

Examination code(s)

GRA 65441 continuous assessment accounts for 100% of the final grade in the course GRA6544.

Examination support materials

BI approved exam calculator

Bilingual dictionary

Interest tables

Permitted examination support materials for written examinations are detailed under examination information in the student portal @bi. The section on support materials and the use of calculators and dictionaries should be paid special attention to.

Re-sit examination

It is only possible to retake an examination when the course is next taught. The assessment in some courses is based on more than one exam code. Where this is the case, you may retake only the assessed components of one of these exam codes. All retaken examinations will incur an additional fee. Please note that you need to retake the latest version of the course with updated course literature and assessment. Please make sure that you have familiarised yourself with the latest course description.

Additional information

Honour code. Academic honesty and trust are important to all of us as individuals, and are values that are integral to BI's honour code system. Students are responsible for familiarising themselves with the honour code system, to which the faculty is deeply committed. Any violation of the honour code will be dealt with in accordance with BI's procedures for academic misconduct. Issues of academic integrity are taken seriously by everyone associated with the programmes at BI and are at the heart of the honour code. If you have any questions about your responsibilities under the honour code, please ask. The learning platform itslearning is used in the teaching of all courses at BI. All students are expected to make use of itslearning.