

BA Multinational Financial Management

Summer School 2006

Course Syllabus

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Office Hours: Thrs./Fri. 9:00-16:00 pm or by appointment

Class Time: Thur/Fri 9:30am/13:00pm

Classroom: 324

COURSE OBJECTIVE

This course will help you to analyze international monetary relations and problems. Major areas of discussion include basic concepts and analysis of the balance of payments, the foreign exchange market, determination of spot and forward exchange rates, international capital flows, the payments adjustment mechanism, international monetary problems and arrangements, and international debt and its development in terms of financial risk management perspectives.

COURSE DESCRIPTION

Central to the understanding of international financial management is the concept of exchange rate risks. We will study the economics underlying the determination of exchange rates, their parity relationships and a national balance of international payment record. We will discuss the foreign exchange markets and the tools that can be used to hedge exchange rate risks such as options, futures and swaps contracts. We will also talk about how the accounting and economic exchange rate exposures can be effectively managed. We will then discuss the risk-return trade-off in international investments. Finally, we will examine the financing options available to multinational financial manager and how cost of capital can be determined.

As a whole this course is taught primarily through lectures, readings, cases, in-class discussions and assignments.

LEARNING OUTCOMES

Upon completion of this course, students will be able to complete the following key tasks:

- ▶ Appreciate the financial challenges and opportunities encountered by multinational corporations,
- ▶ Understand the economic determinants of foreign exchange rate and the role of the central bank in the FX and money markets,

- ▶ Recognize the relations among interest rate, inflation rate and foreign exchange rate in the spot and futures markets,
- ▶ Measure and manage accounting and economic foreign exchange exposures,
- ▶ Understand the economics and decision factors in international financing and investments.

REQUIRED COURSE MATERIALS AND READINGS

- ▶ Multinational Financial Management, 8th edition, by Alan C. Shapiro, John Wiley & Sons, 2006

Students are encouraged to keep themselves up-to-date with current issues in international finance developments, as they will be discussed in class when appropriate.

In addition to reading the textbook related with in the course outline chapters, you should follow international economic news. Read regularly the current international pages, especially the financial columns of either the Wall Street Journal and/or The Economist periodicals as it will reinforce the material covered in class. You can also access information on currency exchange rates, major world indices, and international financial news from internet addresses on below;

<http://www.bloomberg.com/news/index.html>

<http://finance.yahoo.com/>

www.ft.com

www.worldbank.org/

www.imf.org/

EVALUATION

The components of the course grade will be weighted as follows. The instructor reserves the right to modify the weightings to adjust for more or less material covered during the semester.

- ▶ Grading policy: a midterm, a final exam, homework assignment & class participation will be counted towards the final grade.

Components and Weights

Class Participation: %10

Midterm Examination: %40

Final Examination: %50

BUSINESS ADMINISTRATION

The examinations will have two sections. One will cover of objective questions, (such as short answer, true/false, or multiple choice) and the other will consists of essays and/or problem solving calculations. The goal of the essays will be to apply the major concepts of finance to specific situations and draw valid conclusions. The point is not to show everything you know, but to use what is relevant for the case at hand.

You will need calculator in the examinations so be prepared in hand before the midterm exam.

There are no provisions for make up for Final Exam. It is imperative that your schedule permits you to take the exams on mentioned date and time. (check with admin!)

The grades will be based on the following expected scale:

90 - 100	AA	60 – 69	DC
85 – 89	BA	50 – 59	DD
80 - 84	BB	49 – 00	F
75 - 79	CB		
70 - 74	CC		

I take academic honesty very seriously. Cheating will not be tolerated in the examinations. Finally %80 of class attendancy is the requirement in order to take the final examinations.

SUMMER COURSE OUTLINE

Meeting #	Topic	Chapters from Textbook
1	ENVIRONMENT OF INTERNATIONAL MANAGERMENTS. Introduction: Multinational Enterprise & Multinational Financial Management	Chp.1
2	The Determination of Exchange Rates	Chp.2
3	The International Monetary System	Chp.3
4	Parity Conditions in International Finance and Currency Forecasting	Chp.4
5	I-The Balance of Payments and International Economic Linkages	Chp.5
6	II- The Balance of Payments and International Economic Linkages	Chp.5
7	Country Risk Analysis	Chp.6
8	Midterm Examination	
9	FOREIGN EXCHANGE AND DERIVATIVES MARKETS The Foreign Exchange Market	Chp.7
10	I-Currency Futures and Options Markets	Chp.8
11	II-Currency Futures and Options Markets	Chp.8
12	I-Swaps and Interest Rate Derivatives	Chp.9
13	II-Swaps and Interest Rate Derivatives	Chp.9
14	FOREIGN EXCHANGE RISK MANAGEMENT Measuring and Managing Translation and Transaction Exposure	Chp.10
15	Measuring and Managing Economic Exposure	Chp.11
16	FOREIGN INVESTMENT ANALYSIS International Portfolio Investment.	Chp.15
Final Examination		