International Finance

Academic Year: (2018 / 2019) **Review date: 06-05-2018**

Department assigned to the subject: Business Administration Department

Coordinating teacher: CAMINO BLASCO, DAVID

Type: Compulsory ECTS Credits : 6.0

Year : 3 Semester : 1

Branch of knowledge: Social Sciences and Law

REQUIREMENTS (SUBJECTS THAT ARE ASSUMED TO BE KNOWN)

Financial Economics
Corporate Finnace

OBJECTIVES

This course introduces the student to International Finance. The course focuses on decision making in an international context and how financing and investment decisions change when a firm operates in more than one country. The course explores the international financial markets and currency parity conditions, including the relationship between spot and forward exchange rates, interest rates, and inflation rates. The course will also cover the role of derivatives in hedging risk in the international capital markets, as well as, the assessment and valuation of foreign investments.

After this course the student should be able to:

-Have a better understanding of the role of International Financial Management in a modern corporation
-Understand the accounting and risk issues raised by foreign operations
-Asses the role of financial derivatives to hedge risk in the international markets
-Analyse investment decisions in an international context

Methodology

The approach of the course is to treat International Financial Management as a natural and logical extension of the foundations and principles learn in Financial Management. Thus, it builds on and extends the valuation framework (NPV, IRR, Risk Divesification, Derivatives, etc.) learn in domestic Corporate Finance, whose previous basic knowledge will be an advantage during the course

The methodology of the course includes both a general framework for analyzing international financial issues, understanding market data and the use some specific quantitative simulators. The course highlights both theory and applications. Extensive use of cases and investment tools, presents the student with a challenging and real-life environment in which to apply decision-making skills in an international context.

DESCRIPTION OF CONTENTS: PROGRAMME

1. Foreign Trade and the foreign exchange markets
2. International Parity Conditions
3. Foreign exchange risk: Translation, transaction and operating exposure.
4. Hedging currency risk with derivatives.
5. Foreign Direct Investment Assessment and Valuation. Political Risk.

ASSESSMENT SYSTEM

1. Attendance and Class Participation.
a. Class participation, Homework and/or Forex Simulator 20%.
2. Midterm exam: 30%
3. Final Exam: 50%.

% end-of-term-examination:	50
% of continuous assessment (assigments, laboratory, practicals…):	50

BASIC BIBLIOGRAPHY

- Eiteman, D. Stonehill A. I. y Moffet M. H Multinational Business Finance 14th edition, Pearson, 2016
- Shapiro, A. C Multinational Financial Management; 10th. edition, John Wiley & Sons, Inc., 2013

ADDITIONAL BIBLIOGRAPHY

- Brealey, R.A. Myers, S.C. y Allen, F. Principles of Corporate Finance, 11th edition, Chapter 28, McGraw-Hill, 2014