

Academic Year: (2021 / 2022)

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Department assigned to the subject:

Coordinating teacher: CAMINO BLASCO, DAVID

Type: Electives ECTS Credits : 2.0

Year : 1 Semester : 2

REQUIREMENTS (SUBJECTS THAT ARE ASSUMED TO BE KNOWN)

Statistics and Quantitative Methods
Financial Economics
Corporate Finance

OBJECTIVES

This course introduces the student to International Financial Management. 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.

Program Learning Outcomes

After this course, the student should be able to:

- 1.1 Have a better understanding of the role of International Financial Management in a modern corporation
- 1.2 Understand the financial and risk issues raised by foreign operations
- 1.3 Assess the role of financial derivatives to hedge risk in the international markets
- 1.4 Analyse investment decisions in an international context
- 1.5 Students should be able to understand the role of a digital economy, in business decision making

Advancing your Knowledge.

- Understand the international economy, as an integrated set of capital flows, subject to market risks
- Improve the capacity of analysis of the foreign exchange markets, to understand the dynamics of the economic variables that determine economic flows
- Integrate the international capital markets with the financing and hedging, investment and foreign trade decisions in a modern corporation
- To analyze the various sources of risks for a company in global environment.
- To understand, the far reach value of sustainability, for the corporation and the economy, as a whole, in a global context.

DESCRIPTION OF CONTENTS: PROGRAMME

- 1.1 Multinationals and the International Financial System. The Balance of Payments.
- 1.2 The foreign exchange markets. Globalization and information in the digital era
- 2.1 Spot and forward markets. Quotes and relationship. Forex Simulator.
- 2.2 International Parity Conditions and Forecasting
- 3.1 Foreign exchange risk and exposure.
- 3.2 Translation, transaction and operating exposure.

- 4.1 Forex Derivatives: Futures, Options and Swaps
- 4.2 Hedging currency risk with derivatives.
- 5.1 Foreign Trade Finance. Comparative advantage and sustainability Issues
- 5.2 Foreign Direct Investment Assessment and Valuation. Political Risk.

LEARNING ACTIVITIES AND METHODOLOGY

Theoretical classes
 Practically oriented classes
 FOREX Simulator
 Case discussion
 Tutorials
 Group work
 Individual work

Methodology

The approach of the course is to treat International Finance 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 information 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

ASSESSMENT SYSTEM

% end-of-term-examination/test:	50
% of continuous assessment (assignments, laboratory, practicals...):	50

Assignments and class participation 20%.
 Case study homework and/or midterm exam: 30%
 Final exam: 50%.

BASIC BIBLIOGRAPHY

- Eiteman, D. Stonehill A. I. and Moffet M. H Multinational Business Finance (MBF), 15th edition, Pearson, Prentice-Hall, 2019
- Shapiro A.C. and Moles, P. Multinational Financial Management , John Wiley & Sons., 2019

ADDITIONAL BIBLIOGRAPHY

- Bekaert G.J. and Hodrick R.J. International Financial Management, Pearson, 2012
- Brealey, R.A. Myers, S.C. y Allen, F. Principles of Corporate Finance, 11th. edition, Ch. 28, McGraw-Hill, , 2014