International Finances

Academic Year: (2023 / 2024) **Review date: 07-05-2023**

Department assigned to the subject: Business Administration Department

Coordinating teacher: CAMINO BLASCO, DAVID

Type: Electives ECTS Credits : 3.0

Year : 1 Semester : 2

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.

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

DESCRIPTION OF CONTENTS: PROGRAMME

1. Globalization of Business and Finance. The role of the multinational corporation.
2. The International Monetary System and their institutions. The Balance of Payments
3. The Foreign Exchange Market: Spot. Size, markets and quotations
4. The Forward Market: The relationship between the spot and forward markets.
5. International Parity Conditions and Currency forecasting.
6. The Foreign Exchange Risk: Translation, Transaction and Operating (Economic) exposure.
7. Foreign Exchange Derivatives: Futures, Options and Swaps. Markets and Valuation.
8. International Portfolio Theory and Diversification. Foreign Exchange Investment and Political Risk

LEARNING ACTIVITIES AND METHODOLOGY

The course offers a variety of real-life examples, both numerical and institutional, that demonstrates the use of financial analysis and reasoning in solving international financial problems. We will also explain the financial issues, unique to international investment or that have an international dimension, introducing the major problems, threats and risks, but also the opportunities, faced by firms venturing abroad.

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.

ASSESSMENT SYSTEM

1. Attendance and Class Participation.
a. Class participation, Homework and Presentation 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. and Moffet M. H Multinational Business Finance, 15th edition, Pearson, 2019

ADDITIONAL BIBLIOGRAPHY

- Brealey, R.A. Myers, S.C. y Allen, F. Principles of Corporate Finance; 11/e. Cap. 27, McGraw-Hill, 2019

- Shapiro, A. C. Multinational Financial Management; 11th edition, John Wiley & Sons, Inc, 2019