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BFIN 473.01: Multinational Financial Management

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University of Montana
Fin 473 Multinational Financial Management
Fall 2018 Syllabus

Professor: Dr. Timothy A. Manuel

Course Title: Multinational Financial Management, CRN: 73679

Class Time: 11:00-12:20 MW, Gallagher 222

Office: GBB 329 **Phone:** Office 243-2511, **Fax:** 243-6925

Office Hours: MW 10:10-10:50, 1:00-1:30, or by appointment. No appointment is necessary during office hours. *Times available by appointment: TTH 11:00-2:30.* Come by during office hours at any time, but outside of office hours please try to schedule appointments at least one day in advance.

Email: tim.manuel@business.umt.edu (best way to reach me)

Required Materials:

1. International Financial Management, 8th Edition, Custom Book, by Cheol Eun, Bruce G. Resnick
2. Fac-Pac available from the bookstore (required)
3. Financial calculator
4. You should already be signed up for Moodle for this class. I will use Moodle to post assignments, grades and important messages to the class; please familiarize yourself with the Moodle content and ensure that your email address on Moodle is correct. I can ONLY respond to your UM email address concerning any class items.

Course Objective:

The purpose of this course is to provide a firm grounding in the financial skills required of corporate executives in companies engaged in international business. Although we deal with policy issues, the perspective throughout is on the firm and the challenges faced when conducting business across national boundaries. Emphasis will be on the practical application of relevant modern finance techniques and concepts in global settings. Topics covered include understanding exchange rates, measuring and managing exchange rate risk, international capital budgeting, financing international projects, and understanding the effects of government policy on the firm's operating environment.

Prerequisites: Students **MUST** have successfully completed Fin 322, and **MUST** have achieved junior, senior or graduate standing and **SHOULD** have completed Mgmt 368. Additional finance is desirable. Students not meeting the required prerequisites will receive a grade of F regardless of class scores. This may also result in forfeiture of fees paid. The advising office now provides faculty with a list of students who do not meet the prerequisites. Students are strongly encouraged to review basic finance and economics material prior to this course.

Grading: There will be up to three tests, none of which are cumulative except for basic concepts. Grades will be assigned as follows:

Case Average **25%**

Test Average **60%**

Class Participation **15%**

We will be using the +/- grade method.

You may use a cheat sheet, 1 page, 8 ½ x 11, both sides, on all tests.

Class attendance is **required**. I will take attendance at random intervals throughout the semester. The attendance record will determine the curve you receive for the next test. As an example, if you are present on 50% of the days when attendance is taken, you will receive 50% of the curve. Your attendance and participation are essential to an understanding of the course material. Students who do not attend my class on a regular basis generally earn much lower grades. Work, transportation and vacation will not normally result in an excused absence. Documented emergency situations will normally be excused, but they must be cleared as soon as possible. Don't use up your absences on frivolous reasons! I may count leaving class early without permission, *not having the assigned notes with you, or otherwise being unprepared as an unexcused absence.*

If you absolutely must miss an exam, you must notify me prior to the exam and provide a written justification for your absence. In the unlikely event of an excused absence, either the remaining tests will be weighted more heavily, or you will take a make-up exam. Make-ups are generally more difficult since the obvious questions are used on the original.

The make-up may be an oral exam. No student may miss more than one exam and pass the course; all students must be present at the final test. Any work turned in late will either be not accepted or subject to a 10 point a day penalty at my option.

Class participation is generally left up to the student, but is encouraged and expected from all students in order to receive credit. Class participation consists of not only coming to class prepared with the proper notes, but also asking and answering questions and contributing constructive comments. I especially like to see questions asked on the article and case presentations. I generally keep track of who asks questions on cases or other presentations. **You will not receive full credit for class participation if you do not engage in classroom discussions.**

Anyone who gives or receives help on a test or other graded assignment will at a minimum receive a grade of zero for that test or assignment. There are no exceptions to this rule. Each student is expected to do his/her own work. All students must practice academic honesty. Academic misconduct is subject to an academic penalty by the course instructor and/or a disciplinary sanction by the University. All students need to be familiar with and adhere to the *Student Conduct Code*. The Code is available for review online at <http://www.umt.edu/vpesa/documents/Student%20Conduct%20Code%20PDF-%20FINAL%208-27-13.pdf>. The SoBA Code of Professional Conduct is now available online at <http://www.business.umt.edu/Soba/SoBAEthics/CodeofProfessionalConduct.aspx>.



Transcendent. We commit to rise above self-interest and work for a vision greater than ourselves.

Hardworking. We are known for our Montana work ethic. Nothing valuable in life can be achieved without hard work and dedication.

Resourceful. We will respond and successfully adapt to a changing environment. We see opportunities in new challenges and are confident we can succeed.

Initiative. We make things happen in our lives, we don't just let things happen. We are the next generation of business leaders who will bring about a better future.

Virtuous. We are committed to upholding moral and ethical principles even when there is a personal cost. We will be people of integrity. We will act with honor in all that we do, always bringing credit to ourselves and the University of Montana.

Excel. We are trained to exceed expectations and overcome all challenges so that we will have every opportunity to succeed in our chosen field.

Highly Tentative Course Outline:

Topics May Be Added/Deleted or Reordered As Announced In Class

- | | |
|--|--|
| <p>A. The Multinational Corporation (MNC)
Finance vs. international finance
The global/MNC environment
Text: Ch. 1</p> <p>Date(s):</p> <p>B. Definition and Determinants of the Exchange Rate
Introduction to the International Monetary System
Text: Ch. 4 (Optional background), Ch. 5 & Ch. 2</p> <p>Date(s):</p> | <p>E. FX, Derivatives and Risk Management
FX Markets & Quotes
Cross Rates
Forwards & Futures
Options
Interest Rate & Currency Swaps
Text: Ch. 7 and Ch. 14
Interlude: Live FX Game (time permitting)</p> <p>Date(s): ?</p> <p>F. International Finance (time permitting)
Text: Ch. 12
Date(s):</p> |
|--|--|

Test 1 on Topics A. and B. in early October

- | | |
|--|--|
| <p>C. The BOP and International Economic Linkages
BOP
Why the U.S. has a large CAD
Protectionism
Is a CAD bad?
Text: Ch. 3</p> <p>Date(s):</p> <p>D. Parity conditions in international finance
Law of one price
Fisher effect
Generalized Fisher effect
Purchasing power parity
Interest rate parity
International Fisher effect
Text: Ch. 6, Ch 8. & Ch. 9</p> <p>Date(s):</p> | <p>G. Capital Budgeting for the MNC
Text: Ch. 16 & Ch. 18
Date(s):</p> <p>Other topics if we have time</p> <p>Test 3 on remaining material (Due date TBA)</p> |
|--|--|

Test 2 on Topics C & D in early to mid November

SCHOOL OF BUSINESS ADMINISTRATION MISSION STATEMENT

The University of Montana's School of Business Administration is a collegial learning community dedicated to the teaching, exploration, and application of the knowledge and skills necessary to succeed in a competitive marketplace.

SHARED CORE VALUES

- Student-centered, participative, interactive, collegial learning environment
- Teamwork within the School and responsive collaboration with stakeholders
- Life-long learning and professional development
- Excellence, with a focus on continuous improvement
- Innovation and openness to risk
- Maintenance of high-level professionalism
- Integrity in all we do
- Diverse perspectives
- Sustainability, responsiveness and flexibility for an ever changing world

**Assurance of Learning
School of Business Administration
University of Montana**

Learning Goal 1: SoBA graduates will possess fundamental business knowledge.

Objectives:

- Students will demonstrate fundamental business knowledge on a nationally normed test or a locally prepared test.
- Students will demonstrate fundamental business knowledge of business concepts while working in an internship.

Learning Goal 2: SoBA graduates will be able to integrate business knowledge.

Objectives:

- In a business plan and/or business simulation game, students will integrate concepts from several of the functional areas of business.

Learning Goal 3: SoBA graduates will be effective communicators.

Objectives:

- Students will demonstrate the ability to write effectively.
- Students will deliver professional quality oral presentations.
- Students will demonstrate writing skills in internships.

Learning Goal 4: SoBA graduates will possess problem solving skills.

Objectives:

- Students will use appropriate tools to identify the root cause of a business problem.
- Students will use brainstorming tools to identify relevant alternatives for solving a business problem.
- Students will effectively analyze alternatives using quantitative tools.
- Students will effectively analyze alternatives using qualitative tools.
- Students will use appropriate tools to select a solution from competing alternatives.
- Students will identify metrics that will indicate the success or failure of the implemented solution.
- Students will demonstrate problem solving skills in internships.

Learning Goal 5: SoBA graduates will have an ethical awareness.

Objectives:

- Students will demonstrate moral reasoning on a nationally normed test.
- In a case, students will recognize potential ethical dilemmas in a business situation.
- In a case, students will identify the consequences of different ethical perspectives when applied to an ethical dilemma in a business situation.
- Students will recognize potential ethical dilemmas in internship situations.

Learning Goal 6: SoBA graduates will be proficient users of technology.

Objectives:

- Students will understand the role of technology in creating business innovations and in obtaining competitive advantage.
- Students will make appropriate use of spreadsheets (formulas, tables, and graphs).
- Students will effectively use spreadsheets and other technology in an internship situation.
- Students will design and construct a web page.

Learning Goal 7: SoBA graduates will understand the global business environment in which they operate.

Objectives:

- Students will understand how globalization impacts U.S. economic conditions and workforce dynamics (e.g., employment opportunities, etc.)
- Students will understand how different operating and cultural conditions affect the general conduct of business in different areas of the world.
- Students will demonstrate global business knowledge on a nationally normed test.