

CALIFORNIA STATE UNIVERSITY, FULLERTON
COLLEGE OF BUSINESS AND ECONOMICS
Department of Finance

Finance 370 International Business Finance
Spring 2008: Langsdorf Hall 308, Tuesday 7:00-9:45 pm

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Course Description:

This course will familiarize students with financial decision making in an international environment. Major topics covered include foreign exchange and derivative markets, measurement and management of foreign exchange risk, international portfolio investment, international capital budgeting and the methods of foreign trade financing. We will also address current issues in international finance such as globalization, outsourcing and international financial crises. Along the way you will further develop your writing, analytical/computational, and MS Excel skills. You should expect to have fun, but prepare to work hard in this course!

Required materials:

- **Foundations of Multinational Financial Management**, Alan C. Shapiro, 5th edition, 2002, J. Wiley and Sons.
- **Access to class site on Blackboard.** My course notes, announcements, assignments, spreadsheets, solutions to exams, assignments and end-of-chapter problems, and other information will be available on Blackboard. I will make every effort to have my lectures notes available at least 24 hours prior to class for download. You are required to regularly check the class page on Blackboard. It is your responsibility to read announcements, posted notes and assignments.
- Regularly read the *Wall Street Journal* and the *Economist*. The purpose of reading the business press is to understand how the concepts that we learn in class apply to real-world situations. The reading of the business press will also help you to prepare for job interviews. You absolutely have to know current events and be tech-savvy if you're planning to work for a financial or consulting firm.

Course expectations and demands:

Class Dynamics: Please notice that a significant part of your grade depends on class participation and class activities. I therefore expect you to attend each class and actively participate in class discussions. To get the most out of the classroom meetings, come prepared to discuss homework assignments. This will help you to follow the discussion and even enjoy the cold-calling.

Assumed Background: Students are expected to be able to understand and apply quantitative methods. Students should be comfortable with the concepts covered in FIN 320, simple statistics (e.g., means, standard deviations) and spreadsheet computer program (e.g., Excel). If you are not comfortable with Excel, this is a good opportunity to get some practice with it. The knowledge of Excel is required in most finance related jobs.

Classroom behavior: Bring a mature and professional attitude to class. Respect your classmates' desire to learn. Late arrivals and early departures are distracting to me and your classmates. Don't do it! If you have to leave class early, please notify me in advance. Do not engage in side conversations during lectures. Turn off cell phones and other electronic device! While you are welcome to use laptops, do not use them to browse internet or check e-mails.

Office Hours: If you have questions about course material or about finance more generally, please feel free to visit me during my office hours. If you cannot attend my scheduled office hours, please e-mail or call me to schedule an appointment. These meetings will be much more productive if you come well prepared, and you can express your difficulties in terms of a specific problem or concept covered in class. Be familiar with the definitions and notation related to a topic even if you are having conceptual difficulties. Most importantly, do not tell me that you understand something when you are still perplexed. It's okay to come to my office confused, but you should never leave confused.

Responsibility: You should understand that it is entirely your responsibility to learn. Finance is not a difficult subject to learn if you stay on top of the material, and take advantage of all resources offered to you. You will not be able to understand the advanced concepts without investing time in learning the fundamentals. Perhaps more so than other subjects, finance is difficult to learn by cramming.

Learning: The only way to learn international finance is to work a large number of problems. Most of the problems will look easy once you have seen the solution. Try not to read the solution until after you have (at least) thought about how you would solve the problem. Solutions are provided so you can get timely feedback on your own problem-solving attempts. You will probably find that the hardest part of finance is figuring out how to tackle the question once the approach is set-up, the follow through is easy. The only way to learn how to approach a problem you haven't seen before is through experience-the more practice you do, the more patterns you will see and the more confident in your intuition you will be.

Grading:

Your course grade will be computed as follows:

Class participation and class activities	15%
Group Projects/Assignments	15%
Midterm 1	15%
Midterm 2	20%
Final Exam	35%

The final grade distribution for the class will largely depend on how well the whole class performs. In assigning final letter grades, I will follow the distribution of grades outlined by the College of Business and Economics. When the average score on a particular exam, or assignment is significantly below 80 percent, I reserve the right to curve the raw scores upward. Alternatively, when the average score is significantly above 80 percent, I reserve the right to curve the raw scores downward.

Examinations

The exams will be closed book and closed notes, however, **you will be given a formula sheet with some of the necessary financial formulae.** Financial calculators will also be allowed during the exams. The format of the exams will be similar to that of previous exams given in FIN 370 (and available for download on Blackboard). Exam questions will test your understanding of the

topics covered in the related lectures. The final exam assumes that the student has knowledge about basic course materials, but will likely focus more on the last half of the course materials. All exams will include multiple-choice questions and longer analytical questions. Analytical questions will try to gauge the depth of your knowledge about more complex problems. **Be forewarned that some questions on the exams may ask you to apply concepts to unfamiliar situations.** Some students view these types of questions as tricky or unfair, but I believe that view is misguided. A better attitude is to view such questions as opportunities to determine whether you have sufficient understanding of the principles of finance to apply them later on the job.

Exams cannot be rescheduled or made up, you must be present in class to take each test. Please make a note of these test dates and plan to be in class. Treat these test dates as you would an important meeting in the business world—that means that unless you are actually hacking-up a lung, you had better be there. In the unlikely event that you are faced with serious illness or a death in the immediate family that cause you to miss a test you must talk to me immediately. (Job interviews, travel, and a pet's death are not valid reasons for missing exams - sorry!) Documentation supporting the reason for missing the exam must be provided.

Group Assignments/Cases

There will be three problem sets and one short case study. These assignments will be assigned based on class progress and you will have at least one week to complete it. Instructions and due dates will be posted on Blackboard. These assignments should be done in groups of up to 3 students. It is not necessary to notify me ahead of time as to the composition of the group. Simply put the full name of each member on the assignment the group turns in. All group members receive the same score on the assignment. Solutions to these assignments are expected to be presented in a professional manner, i.e. the write-ups must be typed, organized and proof-read. The solutions must be clearly and lucidly presented. ***Late assignments will not be accepted!*** No e-mail submissions! If you don't hand in the assignment on time, you will receive zero points.

NOTE: It is your job to find people to work on the group assignments. Every group member should be able to respond for the entire work done by the group.

Class participation/Class Activities:

Throughout the course I will assign short homework assignments. These are not generally graded, but will count against you in your participation grade if they are not turned in time and in-person. No e-mail submissions! These assignments are mainly designed to help you understand the topic that day and will serve as proof of course participation. In most class meetings, we will have a number of structured activities such as short problems, quizzes, and case studies. I will ask students to do in-class assignments in pairs. I reserve the right to randomly call on students to present their work. I may give extra points to students who volunteer to present.

NOTE: Just showing up for classes will not entitle you to class participation points. In order to receive full credit from participation, you need to make interesting comments, raise thoughtful points or questions, answer questions posed by me to the class, and actively participate in the discussion. In addition, at the end of each class meeting I will ask you to turn-in one question or comment about that day's topic.

Assessment statement

The main purpose of the degree program at the College of Business & Economics (College) at Cal State Fullerton is to provide you with the knowledge and skills that prepare you for a successful career in business. In order to assist us in achieving this goal, we will use a number of assessment tools to track your progress throughout the College curriculum. Please expect to participate in College assessment activities in several of your courses while at CSU, Fullerton. As you do so,

you will assist us in identifying our program's strengths and weaknesses as well as areas for potential improvement. In other words, you are making an important investment in the value of your degree.

Academic Integrity:

Personal integrity and professional conduct are important aspects of business, and also one's personal life. Academic dishonesty, as defined by University policy in the 2005-2007 CSUF Catalog, will result in appropriate University level disciplinary and academic action. The Department of Finance requires that students engaging in academic dishonesty receive a grade of F. **In order to ensure fairness on behalf of the majority of honest students, I will refer anyone suspected of academic dishonesty to the Vice President, Student Affairs. There are no exceptions to this policy under any circumstances.**

In addition, consider the following thoughts from Frank Sesno, vice president of CNN and Washington bureau chief:

The purpose of higher education is to impart knowledge, to sharpen the intellect, and to instill a lifelong sense of curiosity. It is also about integrity--you don't cheat, you don't plagiarize, you don't sacrifice credibility on the altar of short-term gain. (Middlebury College Catalog, Middlebury, VT.)

Additional Resources:

Financial Press:

The Wall Street Journal, The Economist, Business Week, Forbes, Fortune

Financial websites:

<http://fx.sauder.ubc.ca/>- provides information on exchanges rates;

<http://money.cnn.com> – a good place to learn financial and economic news;

<http://finance.yahoo.com>–provides helpful information on financial markets and securities;

<http://www.finpipe.com> – site dedicated to financial education;

<http://www.fool.com>- - provides investment advice for individual investors.

<http://www.cob.ohio-state.edu/fin/journal/jofsites.htm> - A great list of finance-related links from Ohio State's finance department

Other Useful Links:

<http://www.vaultreports.com> and <http://www.wetfeet.com> - interview questions/answers, company and job info. Check it out!

Recommended Books

- When Genius Failed by Roger Lowenstein
- The chastening by Paul Blustein.
- Liar's Poker by Michael Lewis

ROUGH COURSE OUTLINE

The timing below is only tentative: if we fall behind schedule, we will not sacrifice thorough coverage in an ill-advised attempt to stay on schedule. It is more important that most students learn the material well, than it is to stick to an exact schedule. The range of topics covered by the midterms will be adjusted appropriately, but the dates of the exams will not change.

Week	Date	Ch.	Topic/Assigned Reading
1	Jan. 22	1, 3	Introduction, Course Building Blocks, Exchange Rate Systems
		2	Determination of exchange rates
2	Jan. 29	2	Determination of exchange rates
		7	The Foreign Exchange Market
3	Feb. 5	4	Parity Conditions
4	Feb. 12	4	Parity Conditions
			Exchange Rate Forecasting
5	Feb. 19		FIRST MIDTERM
6	Feb. 26	8	Currency Futures and Options
7	March 4	8	Currency Futures and Options
8	March 11	10	Transaction Exposure
		11	Economic Exposure
9	March 18	15	International Portfolio Investment
10	March 25	15	Barriers to International Investing
		6	Country/Political Risk
11	April 1		SPRING BREAK
12	April 8		SECOND MIDTERM
13	April 15	14	The cost of capital for foreign investments
14	April 22	17	International capital budgeting
15	April 9	16, 17	International capital budgeting and foreign direct investment
16	May 6	18	Financing Foreign Trade
	May 13		COMPREHENSIVE FINAL EXAM 7:30-9:20 pm

Dates and terms for withdrawal from this class are as outlined for the CBE in the Course Schedule.