International Finance (3 Undergraduate Credits)
FIN343.001, Spring 2016

I. Class Meeting: 10:30a.m. - 11:45a.m. on TR in BE1004.

II. Instructor Information

Instructor: Dr. Manfen W. Chen
Office: BE3003
Telephone: 461-5333
Email: mwchen@usi.edu
Office Hours: 9:30 a.m.- 10:30 a.m. & noon -1:30 p.m. on TRs
       Other hours: by appointments.
Website: http://business.usi.edu/mwchen/

USI RAVEAlert provides text alerts on your cell phone about weather-related
emergency closing at the University of Southern Indiana. RAVE is a text message
alert system for USI students and employees. Everyone with a USI email address
is automatically enrolled in the RAVEAlert system. For more detailed
information about RAVE information, visit the website at
http://www.usi.edu/emergency. In case of weather-related emergency closing at
the USI, I will post announcement related to course work or assignments on
Blackboard.

In compliance with the Vanderburgh County Department of Health, the Indiana
Department of Health, and the Centers for Disease Control and Prevention
recommendations, students should NOT attend class or any campus gatherings
while ill with flu symptoms. Students with flu symptoms will be asked to self-
isolate in housing or go home. It is very important that individuals avoid
spreading the flu to others.

Students should inform me by email as soon as possible that they are absent
because of flu symptoms and also report their flu-like symptoms on the Student
Health Center web page http://www.usi.edu/studenthealth/.

III. Prerequisites: Finance 305

It is the responsibility of students to insure that all course pre-requisite requirements
are met prior to enrolling in this course. Students are subject to administrative
removal from the course if, at any time, it is determined that course pre-requisites
have not been met.

IV. Required Textbook

“International Financial Management” by Jeff Madura (12th edition), ISBN: 978-
1-133-94783-7, Cengage Learning.
V. Course Description

The goal of this course is to provide an understanding of international flows of funds, international financial markets, exchange rates and international risk management. This course seeks to build knowledge and skills in the arena of international finance through applications of quantitative tools and theoretical frameworks on current issues.

VI. COB Skill Development

In addition to providing students an introduction to the principles of financial management, this course will help students develop skills in analytical problem solving.

VII. Course Objectives

Upon completion of this course, students are able to:

1. Identify the main goal of the Multinational Corporation (Chapter 1).
2. Describe the key theories that justify international business (Chapter 1).
3. Explain the common methods used to conduct international business (Chapter 1).
4. Explain the key components of the balance of payments (Chapter 2).
5. Explain how the international flow of funds is influenced by economic factors and other factors (Chapter 2).
6. Describe the background and corporate use of the following international financial markets: foreign exchange market, Eurocurrency market, Eurocredit market, Eurobond market, and international stock markets (Chapter 3).
7. Explain how exchange rate movements are measured (Chapter 4).
8. Explain how the equilibrium exchange rate is determined (Chapter 4).
9. Describe factors that affect the equilibrium exchange rate (Chapter 4).
10. Explain how forward contracts are used to hedge based on anticipated exchange rate movements (Chapter 5).
11. Explain how currency futures contracts are used to speculate or hedge based on anticipated exchange rate movements (Chapter 5).
12. Explain how currency options contracts are used to speculate or hedge based on anticipated exchange rate movements (Chapter 5).
13. Describe the exchange rate systems used by various governments (Chapter 6).
14. Explain how the governments can use direct and indirect intervention to influence exchange rate (Chapter 6).
15. Explain how government intervention in the foreign exchange market can affect economic conditions (Chapter 6).
16. Explain the conditions that will result in various forms of international arbitrage, along with realignments that will occur in response to various forms of international arbitrage (Chapter 7).
17. Explain the concept of interest rate parity, and how it prevents arbitrage opportunities (Chapter 7).
18. Explain the purchasing power parity (PPP) theory and its implications for exchange rate changes (Chapter 8).
19. Explain the international Fisher effect (IFE) theory and its implications for exchange rate changes (Chapter 8).
20. Compare the PPP theory, IFE theory, and theory of interest rate parity (IRP) (Chapter 8).

VIII. Attendance

Class attendance and class participation are regarded as an obligation as well as a privilege. Students are expected to attend the class regularly and punctually and complete all required assignments. No absence for any reason will be construed as excusing students from the responsibility for completing work assigned by the instructor. However, in order to encourage students to come and to participate in the class, the following system will be used to add bonus points to the final grade:

- Perfect attendance: 2 points (2%)
- One missed class: 1 point (1%)
- Two or more missed classes: 0 points (0%)

Although the bonus points may appear to contribute a relatively small amount to the final grade, they often play a critical role in determining borderline final grades. Thus students should not ignore the impact that class attendance has on your final grade. Class attendance will be checked at the beginning of each class. Coming late to class or leaving the class early will be counted as an absence. Students will not be penalized for necessary (excused) absences. But students are responsible for all material presented or handed out during missed classes, as well as all additional assignments and/or administrative announcements.

IX. Evaluation Procedure and Grading Policy

1. The average of the following three exams is counted as 80% of your final grade.

<table>
<thead>
<tr>
<th>Exam</th>
<th>Tentative Date</th>
<th>Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exam 1</td>
<td>Feb. 9 (Tuesday)</td>
<td>10:30-11:45 a.m.</td>
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<tr>
<td>Exam 2</td>
<td>March 22 (Tuesday)</td>
<td>10:30-11:45 a.m.</td>
</tr>
<tr>
<td>Final Exam</td>
<td>April 28 (Thursday)</td>
<td>10:30 a.m.-12:30 p.m.</td>
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</tbody>
</table>

*If time permits, chapter 8 will be covered.

Exams will cover material from the book, reading assignments, and class discussions. Although examination dates are tentative, the exact examination dates will be announced at least one week in advance. Make-up exams will be given only to students with legitimate reasons. I must be informed of an absence before the exam or as soon as you can. If you cannot reach me, send me an email or leave a message on my answering machine. The documentation for a legitimate excuse should be submitted immediately upon your return to
school so that I can schedule a make-up exam as soon as possible (before exam papers are returned). Please be aware that the questions of the make-up exam may be different from the questions of the assigned exam. If you do not make up an exam before exam papers are returned, you will be required to take a comprehensive make-up exam at the end of the semester regardless of the exam you miss. An unexcused absence for a missed exam will result in a zero for that exam.

2. There are quizzes and assignments. Each assignment is treated as a quiz. The average of quizzes (announced and unannounced quizzes, and assignments) is counted 20% of your final grade. No make-up quiz is given. No late assignment is accepted. I will drop the lowest quiz; therefore, if you only miss one quiz then the missed quiz will be dropped. If you miss more than one with a legitimate reason, the exam that follows the missed quizzes will replace your missed quiz grades. If the total grade of the quiz is 10 points, then 10% of the following exam will be your quiz grade. End of chapter problems are assigned for practice purpose and are designed to help you familiarize with material through practice; therefore, it is extremely important that you should study the materials first and then work on assignments to see how well you understand. Your effort will eventually be reflected on your test grades. Although homework is not collected but the answers of all homework assignments will be posted or discussed in class. Pop quizzes will be given to ensure the understanding of materials and the completeness of homework problems.

3. Your final grade for this class is assigned according to the following formula

\[
\frac{\text{Sum of Exam points}}{\text{Total Available Exam Points}} \times 80 + \frac{\text{Sum of Quiz points}}{\text{Total Available Quiz Points}} \times 20 + \text{Attendance Bonus}
\]

Grading Scale:

- A = 90-100
- B+ = 87-89.99
- B = 80-86.99
- C+ = 77-79.99
- C = 70-76.99
- D+ = 67-69.99
- D = 60-66.99
- F = below 60

X. Academic Misconduct

Review the Student Rights and Responsibilities section of USI’s 2007-2009 Bulletin (see pages 299-300) and the University Handbook that define and explain academic misconduct and disciplinary action. The policies cover a variety of forms, including cheating, fabrication, and plagiarism. If you are found guilty of academic misconduct in this class, you will receive a grade of “F,” and you may be dismissed from your degree program and possibly from the University. Regarding this online course, participation in group discussions is necessary, but any irrelevant discussion or chat will not be permitted.
XI. USI Library Resources:

a. Visit [http://www.usi.edu/library/distance-learning-services](http://www.usi.edu/library/distance-learning-services) to learn the resources and services the Rice Library provides to students involved in distance education.

   - Click Databases to access Rice Library’s 60+ Databases. You can then click on selected database and follow login instructions. All databases are accessible on campus or off campus unless otherwise stated.
   - Click Research Guides to explore the LibGuides. You will find “search assistance, subject guides, and useful resources compiled by your friendly librarians.”
   - Click Distance Learning Services to access contact information of Distance Learning Librarian and Distance Learning website.

XII. Academic Skills: [http://www.usi.edu/university-division/academic-skills](http://www.usi.edu/university-division/academic-skills)

The mission of Academic Skills is to “enhance student success and the educational process at the University of Southern Indiana.” It offers a wide array of tutoring programs, such as math, study skills, and writing, for students at the USI. All tutors are certified by the College Reading and Learning Association. Academic Skills is located in Education Center, Room 1111, and phone number is (812) 464-1743. The Writer’s Room is located in Education Center Room 1102. An appointment with a writing consultant is available by calling 812-461-5359.

XIII. Americans with Disabilities Act Compliance

“If you have a disability for which you may require academic accommodations for this class, please register with Disability Resources (DR) as soon as possible. Students who have or who receive an accommodation letter from DR are encouraged to meet privately with course faculty to discuss the provisions of those accommodations as early in the semester as possible. To qualify for accommodation assistance, students must first register to use the disability resources in DR, Science Center Rm. 2206, 812-464-1961 [http://www.usi.edu/disabilities](http://www.usi.edu/disabilities). To help ensure that accommodations will be available when needed, students are encouraged to meet with course faculty at least 7 days prior to the actual need for the accommodation.”

XIV. Career Advising

Students, especially upper level class students, are encouraged to see their advisors for career advising information. This is especially important to keep on-track in meeting your graduation objectives. Career advising is available through your academic advisor or other professors in your major. Please take advantage of this opportunity to have your questions answered or to discuss the career paths open to graduates with your advisors or professors in your major.

The instructor reserves the right to change the syllabus based on course needs. When such changes are made, students will be informed in class.
## Tentative Schedule for Finance 343.001 TRs 10:30 - 11:45 a.m, Spring 2016

<table>
<thead>
<tr>
<th>Week</th>
<th>Date</th>
<th>Topic</th>
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<tbody>
<tr>
<td>1</td>
<td>Jan. 12, 14</td>
<td>MNC: An Overview (Chapter 1)</td>
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<td>2</td>
<td>Jan. 19, 21</td>
<td>International Flow of Funds (Chapter 2)</td>
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<td>3</td>
<td>Jan. 26, 28</td>
<td>International Flow of Funds (Chapter 2)</td>
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<td>4</td>
<td>Feb. 2, 4</td>
<td>International Financial Markets (Chapter 3)</td>
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<tr>
<td></td>
<td><strong>Feb. 9 (Tuesday) Exam #1</strong></td>
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<tr>
<td>5</td>
<td>Feb. 11</td>
<td>Exchange Rate Determination (Chapter 4)</td>
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<td>6</td>
<td>Feb. 16, 18</td>
<td>Exchange Rate Determination (Chapter 4)</td>
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<td>7</td>
<td>Feb. 23, 25</td>
<td>Currency Derivatives (Chapter 5)</td>
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<td>8</td>
<td>March 1, 3</td>
<td>Currency Derivatives (Chapter 5)</td>
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<td>9</td>
<td>March 7-12</td>
<td><strong>Spring Recess, No Class</strong></td>
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<tr>
<td>10</td>
<td>March 15, 17</td>
<td>Currency Derivatives (Chapter 5)</td>
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<tr>
<td>11</td>
<td><strong>March 22 (Tuesday) Exam #2</strong></td>
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<td>11</td>
<td>March 24</td>
<td>Government Influence on Exchange Rates (Chapter 6)</td>
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<tr>
<td>12</td>
<td>March 29</td>
<td><strong>Assessment Day, No class</strong></td>
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<tr>
<td>12</td>
<td>March 31</td>
<td>Government Influence on Exchange Rates (Chapter 6)</td>
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<tr>
<td>13</td>
<td>April 5, 7</td>
<td>International Arbitrage and Interest Rate Parity (Chapter 7)</td>
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<tr>
<td>14</td>
<td>April 12, 14</td>
<td>International Arbitrage and Interest Rate Parity (Chapter 7)</td>
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<tr>
<td>15</td>
<td>April 19, 21</td>
<td>Inflation, Interest Rates, and Exchange (Chapter 8)</td>
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<tr>
<td>16</td>
<td>April 26</td>
<td>Inflation, Interest Rates, and Exchange (Chapter 8)</td>
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<tr>
<td>16</td>
<td><strong>April 28 (Thursday), 10:30 a.m. – 12:30 p.m. Final Exam</strong></td>
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### Other Dates to Remember:
- **Jan. 18 (Monday): Martin Luther King Day, No Class**
- **March 7-12 (Monday-Saturday): Spring Recess, No Class**
- **March 18 (Friday): Last day to drop/withdraw without evaluation**
- **March 25 (Friday): No classes; University closed**
- **March 29 (Tuesday): Spring Assessment Day, No Class**
- **April 4-15 (Monday-Friday): Priority registration for fall**
- **April 27 (Wednesday): University closed – No Class**
- **April 27 (Wednesday): Schedule revision and withdrawal from the semester period ends**
- **April 28 – May 4 (Thursday-Wednesday): Final Exam Week**
- **April 29-30 (Friday and Saturday): Commencement Weekend**