

TEACHING PLAN FOR

● INTERNATIONAL FINANCE

1. Basic Description

Name of the course: International Finance

Academic year: 2018–2019

Term: 1st

Code: 80125

Degree / Course: International Business Programme

Contact hours: 45

Number of ECTS credits: 6

Total number of hours committed: 150

Teaching language: English

Lecturer: Josep Torres Prunyonosa

Classroom:

Timetable:

| | |
|-----------|--------------|
| Monday | 1.00–3.15 pm |
| Wednesday | 1.00–3.15 pm |

Office hours:

| | |
|-----------|--------------|
| Monday | 12.30–1.00 |
| | 3.15–3.30 pm |
| Wednesday | 12.30–1.00 |
| | 3.15–3.30 pm |

2. Course Overview

This course aims to provide students with a good understanding of the financial decisions taken by managers at international firms. Case studies will be discussed to see why multinational companies take certain operational and strategic financial decisions, and currency risk management will be analysed. Derivative products and the foreign exchange market will be explained, with a focus on currency derivatives as a hedge. Finally, international payment methods, multinational cash management techniques and transfer prices will be analysed.

3. Competences to Be Worked on in the Course

General competences

Instrumental competences

- G.I.2. Ability to relate concepts and knowledge from different areas.
- G.I.4. Ability to tackle and solve problems.
- G.I.5. Ability to take decisions in complex and changing environments.
- G.I.8. Oral and written competence in communicating in English.

General personal competences

- G.P.3. Moral commitment and ethical sense.

Generic systemic competences

- G.S.3. Ability to think globally.

Competences for applicability

- G.A.1. Ability to apply acquired knowledge and skills.
- G.A.2. Ability to use quantitative criteria and qualitative insights when taking decisions.
- G.A.3. Ability to search and exploit new information sources.

Specific competences

Disciplinary competences

- E.D.1. Facilitate understanding of the determinants and consequences of international financial transactions.
- E.D.10. Introduce basic financial concepts and analytical techniques and introduce their application to international transactions.

Professional competences

- E.P.1. Ability to understand the decisions taken by economic agents and their interaction in the markets.
- E.P.2. Ability to analyse economic and market indicators when taking decisions within the organisation.
- E.P.9. Assess and discuss the economic and financial position of an organisation.
- E.P.17. Ability to express and understand spoken and written communication in English at an advanced level in the international business environment.

The above competences interrelate with the basic competences set out in Royal Decree 1393/2007, namely:

- a. competence to **comprehend knowledge, on the basis of general secondary education**
- b. competence to **apply knowledge** to day-to-day work in international management or marketing, in particular, ability to develop and defend arguments and to solve problems
- c. competence to **gather and interpret** relevant **data**, enabling the development of critical judgements on the economic and social reality
- d. competence to **communicate and transmit information** (ideas, problems, solutions) to a specialised and non-specialised public
- e. competence to **develop learning activities** in a relatively autonomous manner.

In order to establish a correspondence between the basic competences and those developed in the degree, these are grouped according to two criteria. Thus, the competences developed in the

subject are structured into those that are seen as a development or specification of basic competences and those that define the professional profile of the graduate, with respect to general and specific competences.

Basic competence: understanding of knowledge

I. General competences G.A.2

II. Specific competences E.D.1, E.D.10, E.P.1,

Basic competence: application of knowledge

I. General competences G.I.2, G.S.3

Basic competence: gather and interpret data

I. General competences G.A.3

II. Specific competences E.P.2

Basic competence: communicate and transmit information

I. General competences G.I.8

II. Specific competences E.P.17

Basic competence: develop learning activities

I. General competences G.I.4

Competences that define the professional profile which are not included under basic competences

In general, these competences combine the following key elements for professionalising students in the area of international business and marketing:

- provide students with the capacity to adapt to dynamic teams and environments
- provide students with the capacity to create their own integral vision of the operation of a business or international marketing project
- provide students with the capacity to take complex decisions and carry out negotiation processes

I. General competences G.I.5, G.A.1

II. Specific competences E.P.9

Learning outcomes

- a) Assess and discuss the economic and financial diagnosis of multinational companies and take decisions in order to determine an action plan to solve any problems.
- b) Facilitate understanding of financial derivatives, such as forwards, futures, call and put options.

- c) Introduce basic foreign exchange market concepts.
- d) Understand how currency risk affects companies and how they can be hedged by means of currency derivatives.
- e) Introduce multinational cash management techniques such as netting systems, central depositories and transfer prices.

4. Contents

1. OPERATIONAL FINANCE APPLIED TO MULTINATIONAL COMPANIES (I): DIAGNOSIS
 - Operational Finance
 - The Business at a Glance
 - Economic Analysis
 - Needs of Funds for Operations vs. Working Capital
 - Financial Analysis
 - Operational Ratios
 - Diagnosis
2. OPERATIONAL FINANCE APPLIED TO MULTINATIONAL COMPANIES (II): ACTION PLAN
 - Financial Forecasting
 - Action Plan
 - Growth without Extra Financing
 - The Value Chain
3. LONG-TERM STRATEGIC FINANCIAL DECISIONS APPLIED TO MULTINATIONAL COMPANIES
 - Effects of Debt
 - How Much Debt Should We Have?
 - When to Ask for Debt
 - Types of Debt to Take On
 - Criteria for Deciding: Debt or Equity
4. FINANCIAL DERIVATIVES
 - Derivatives Concept
 - Purpose of Derivatives
 - Forwards
 - Futures
 - Daily Settlement of Positions and Posting Margins
 - Call Options
 - Put Options
 - Using Derivatives as a Hedge
5. CURRENCY MARKET
 - Spot and Forward Exchange Rates
 - Foreign Exchange Market
 - How the Price of a Currency is Quoted
 - Why Currencies Fluctuate
 - Spot Exchange Rate, Price and Inflation: the Law of One Price and Purchasing Power Parity (PPP)
 - Spot Exchange Rate and Interest Rate: Fisher Effect
 - How to Calculate the Forward Exchange Rate
6. CURRENCY RISK MANAGEMENT
 - Currency Risk Concept
 - Currency Forwards as a Hedge
 - Currency Options as a Hedge
 - International Payment Methods
7. MULTINATIONAL CASH MANAGEMENT
 - Netting Systems
 - Central Depositories
 - Transfer Prices

5. Assessment

The final grade will be determined by the weighted average of the following activities carried out throughout the semester:

| Assessment elements | Time period | Type of assessment | | Assessment agent | | | Type of activity | Grouping | | Weight (%) |
|--|-------------------------|--------------------|----------|------------------|-----------------|---------------|--|------------|--------------------------|------------|
| | | Mandatory | Optional | Lecturer | Self-assessment | Co-assessment | | Individual | Group (#) | |
| Quizzes, assigned exercises and cases | Throughout the semester | X | | X | | | Conceptual and application | X | | 10% |
| Midterm exam | Week 6 | X | | X | | | Analysis Application Conceptual Overall understanding | X | | 20% |
| Sonora Case group project | Week 10 | X | | | | X | Analysis Application Conceptual Overall understanding | | X (5 students per group) | 20% |
| Final exam (a minimum grade of 4 is required to pass the course) | Exam week | X | | X | | | Conceptual, application, and overall understanding | X | | 50% |
| Participation bonus grade (maximum 1.0) | Ongoing | | X | X | | | Analysis Application Conceptual Overall understanding | X | | ≤10% bonus |

The **Sonora Case group project** will be analysed by groups of 5 members as a group project. The grade will take into consideration the following items:

- A paper (a PDF file and a hard copy) will have to be delivered.
- A PowerPoint (or Prezi) presentation will have to be delivered.
- Presentation (12–15 minutes per group). A different grade will be awarded to each member of the group. All students must participate.
- Discussion: questions put to other groups and answers provided to the questions put by classmates. A different grade will be provided to each member of the group. All students must participate.

Taking the final exam is a **necessary condition** to receive a quantitative evaluation of the course. In case of non-attendance to the final exam, the student will receive an "N.A." grade. **Failure to achieve this minimum grade in the final exam (4.0) will result in the overall course grade to be the final exam.**

Class participation will be evaluated as extra credit, contributing up to 1 point (out of 10) to the final grade. Only those students who fulfil the following criteria can obtain partial or full credit in this category of the assessment:

- demonstrate preparation by relating issues to book chapters, readings and previous discussions;
- contribute in an active and significant way to ongoing case discussions;
- help solving exercises and questions;
- respond thoughtfully to other students' comments.
- achieving a minimum grade of 4.0 in the final exam.

Resits

In accordance with ESCI-UPF academic regulations, students whose weighted final grade for the regular term evaluation is below 5.0 but whose grade for the continuous evaluation activities (quizzes, assigned exercises and cases, midterm exam and group project) is above 4.0 will be required to retake their final exam, which will account for 50% of their total final grade. The rest of their final total grade will be made up of their grades in the other areas of continuous evaluation.

Working competences and assessment of learning outcomes

| | GI2 | GI4 | GI5 | GI8 | GP3 | GS3 | GA1 | GA2 |
|---|-----|-----|-----|-----|-----|-----|-----|-----|
| Quizzes, assigned exercises and cases | | X | X | X | X | X | X | X |
| Midterm exam | X | X | | | | X | X | X |
| Sonora Case group project | X | X | X | X | | X | X | X |
| Final exam | X | X | | | | | X | X |
| Participation bonus grade (maximum 1.0) | | | | X | X | | | |

| | GA3 | ED1 | ED10 | EP1 | EP2 | EP9 | EP17 |
|---|-----|-----|------|-----|-----|-----|------|
| Quizzes, assigned exercises and cases | | X | X | X | X | X | X |
| Midterm exam | | | X | X | X | X | |
| Sonora Case group project | X | | X | X | X | X | X |
| Final exam | | X | X | X | X | X | |
| Participation bonus grade (maximum 1.0) | | | | X | X | X | X |

Any students found copying and/or plagiarising work, in whole or in part, will fail the subject. They will receive a final grade of zero and will not be allowed to take the make-up exam. In accordance with the UPF Disciplinary Rules and Regulations for Students, other additional sanctions may apply depending on the seriousness of the offence.

6. Bibliography and teaching resources

- Basic bibliography
 - o Comisión Nacional del Mercado de Valores. *What you should know about ... Future and Options*. 2014. Accessed at: <http://www.cnmv.es/DocPortal/Publicaciones/Guias/GUIA OPCYFUT ENGen.PDF>.
 - o Foley, C. Fritz, and Matthew Johnson. "[Belco Global Foods](#)" Harvard Business School Case 211-033, October 2010.
 - o Martínez Abascal, Eduardo. *Currency Risk Management*. Technical note FN-502-E. Universidad de Navarra: IESE, 2009.
 - o Martínez Abascal, Eduardo. *Finance for Managers*, Maidenhead: McGraw-Hill, 2012.
 - o Pradas, Lidia, and Josep Tàpies. *ABC Logistics, S.A.* Case F-680. Universidad de Navarra: IESE, 1998.

- Supplementary bibliography
 - o Eun, Cheol S., and Bruce G. Resnick. *International Financial Management*. 7th ed. New York: McGraw-Hill Education, 2014.
 - o Foley, C. Fritz, Matthew Johnson, and David Lane. *Note on International Trade Finance*. Technical note 9-211-007, Harvard Business School, 2010
 - o Soley, Jorge. *International Payment Methods*. Technical note FN-453-E. Universidad de Navarra: IESE, 2010.
 - o U.S. Department of Commerce. *Trade Finance Guide*. Washington, D.C.: International Trade Administration, 2012.

- Teaching resources
 - o PowerPoint slides
 - o e-computerl@and Case Study 1
 - o Siemens Case Study
 - o NH Hotels Group Case Study
 - o e-computerl@and Case Study 2
 - o Sonora Case Study
 - o Financial Derivatives Exercises
 - o Currency Market Exercises
 - o Currency Risk Management Exercises

7. Methodology

Your lecturer will set out the course contents and give instructions on the exercises to be done and the case studies to be discussed in order to apply the contents to real-life situations. You should prepare adequately before class; this may involve reading from the bibliography, solving exercises and preparing case studies for discussion.

Some solutions of exercises or cases will be uploaded in the virtual campus, but not all of them. Therefore, it is the student's responsibility to take notes or obtain them from other students if they miss any session. Additionally, taking notes during the sessions is necessary so as to complete the slides that will be posted, given that they are succinct. In actual fact, everything that is explained in the sessions is susceptible to be asked in the exams.

8. Timetable of Activities

| Week | Session | In class | Pre-class preparation |
|--------|--------------------------|--|---|
| Week 1 | Lecture 1 Lecture 2 | Operational Finance. The Business at a Glance Economic Analysis Needs of Funds for Operations vs. Working Capital | Martínez (2012) Chapter 1 & e-computerl@and Case Study 1 |
| Week 2 | Lecture 3 | Financial Analysis | |
| Week 3 | Lecture 4 Lecture 5 | Operational Ratios Diagnosis. Siemens Case Study | Siemens Case Study |
| Week 4 | Lecture 6 Lecture 7 | NH Hotel Group Case Study Financial Forecasting | NH Hotel Group Case Study Martínez (2012) Chapter 2 & e-computerl@and Case Study 2 |
| Week 5 | Lecture 8 Lecture 9 | Action Plan Growth without Extra Financing. The Value Chain | |
| Week 6 | Lecture 10 Lecture 11 | Long-Term Strategic Financial Decisions Applied to Multinational Companies. ABC Logistics Case Study Midterm exam | Martínez (2012) Chapter 9 & ABC Logistics Case Study |
| Week 7 | Lecture 12 Lecture 13 | Derivatives Concept. Purpose of Derivatives Forwards. Futures Daily Settlement of Positions and Posting Margins Call Options | Comisión Nacional del Mercado de Valores |
| Week 8 | Lecture 14 Lecture 15 | Put Options. Using Derivatives as a Hedge Currency Market | Martínez (2009) |
| Week 9 | Lecture 16 Lecture 17 | Currency Risk Concept. Currency Forwards as a Hedge Currency Options as a Hedge. International Payment Methods. Belco Global Foods Case Study | U.S. Department of Commerce. International Trade Administration & Belco Global Foods Case Study |

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|-----------|------------|---------------------------------|-------------------|
| Week 10 | Lecture 18 | Multinational Cash Management | |
| | Lecture 19 | Sonora Case Study group project | Sonora Case Study |
| Week 11 | Lecture 20 | Sonora Case Study group project | Sonora Case Study |
| Exam week | | Final exam | |