TEACHING PLAN FOR

• INTERNATIONAL FINANCE

1. Basic Description

Name of the course: International Finance
Academic year: 2016–2017
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 3.30–5.45 pm
- Wednesday 3.30–5.45 pm

Office hours:
- Monday 2.45–3.30 pm
- Wednesday 2.45–3.30 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.

**General personal competences**

**Generic systemic competences**
- G.S.3. Ability to think globally.

#### 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.

#### 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.

#### 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:

<table>
<thead>
<tr>
<th>Assessment elements</th>
<th>Time period</th>
<th>Type of activity</th>
<th>Assessment agent</th>
<th>Type of activity</th>
<th>Grouping</th>
<th>Weight</th>
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</thead>
<tbody>
<tr>
<td>Quizzes, assigned exercises and cases</td>
<td>Throughout the semester</td>
<td>X</td>
<td>X</td>
<td>Conceptual and application</td>
<td>X</td>
<td>10%</td>
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<tr>
<td>Midterm exam</td>
<td>Week 5</td>
<td>X</td>
<td>X</td>
<td>Analysis conceptual Overall understanding</td>
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<tr>
<td>Sonora Case group project</td>
<td>Week 10</td>
<td>X</td>
<td>X</td>
<td>Analysis conceptual Overall understanding</td>
<td>X (5 students per group)</td>
<td>20%</td>
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<tr>
<td>Final exam (a minimum grade of 4 is required to pass the course)</td>
<td>Exam week</td>
<td>X</td>
<td>X</td>
<td>Conceptual, application, and overall understanding</td>
<td>X</td>
<td>50%</td>
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<tr>
<td>Participatio n bonus grade (maximum 1.0)</td>
<td>Ongoing</td>
<td>X</td>
<td>X</td>
<td>Analysis conceptual Overall understanding</td>
<td>X</td>
<td>≤10% bonus</td>
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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.

Students **must take the final exam** if they want to receive a quantitative course evaluation. Students who do not sit the final exam will receive a "No Show" grade.

Class participation will be assessed as extra credit and will account for 10% of the final grade. Students can obtain partial or full credit in this assessment category if they:
• 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.

**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**

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<th>GI2</th>
<th>GI4</th>
<th>GI5</th>
<th>GI8</th>
<th>GP3</th>
<th>GS3</th>
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<tbody>
<tr>
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<td>X</td>
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<td>Final exam</td>
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<td>Participation bonus grade (maximum 1.0)</td>
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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
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.

8. Timetable of Activities

<table>
<thead>
<tr>
<th>Week</th>
<th>Session</th>
<th>In class</th>
<th>Pre-class preparation</th>
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<tbody>
<tr>
<td>Week 1</td>
<td>Lecture 1</td>
<td>Operational Finance. The Business at a Glance Economic Analysis Needs of Funds for Operations vs. Working Capital</td>
<td>Martínez (2012) Chapter 1 &amp; e-computerl@and Case Study 1</td>
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<td>Lecture 2</td>
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<td>Week 2</td>
<td>Lecture 3</td>
<td>Financial Analysis Operational Ratios</td>
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<td>Lecture 4</td>
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<td>Week 3</td>
<td>Lecture 5</td>
<td>Lecture 6</td>
<td>Diagnosis. Siemens Case Study</td>
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<td>Lecture 6</td>
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<td>NH Hotel Group Case Study</td>
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<td>Week 4</td>
<td>Lecture 7</td>
<td>Lecture 8</td>
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<td>Action Plan</td>
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<td>Week 5</td>
<td>Lecture 9</td>
<td>Lecture 10</td>
<td>Growth without Extra Financing. The Value Chain</td>
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<td>Long-Term Strategic Financial Decisions Applied to Multinational Companies. ABC Logistics Case Study</td>
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<td>Week 6</td>
<td>Lecture 11</td>
<td>Lecture 12</td>
<td>Midterm exam</td>
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<td>Derivatives Concept. Purpose of Derivatives Forwards. Futures</td>
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<td>Week 7</td>
<td>Lecture 13</td>
<td>Lecture 14</td>
<td>Daily Settlement of Positions and Posting Margins Call Options Put Options. Using Derivatives as a Hedge</td>
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