1. Basic description

Name of the course: International Finance
Academic year: 2015-2016
Term: 2nd
Code: 80225
Degree / Course: International Business Program
Contact hours: 50
Number of ECTS credits: 6
Total number of hours committed: 150
Teaching language: English
Lecturer: Josep Torres Prunyonosa
Classroom:

Timetable: Tuesdays, 15:45 – 18:00
Thursdays, 15:45 – 18:00

Office Hours: Tuesdays, 14:45 – 15:45
Thursdays, 14:45 – 15:45

2. Presentation of the course

Firstly, the aim of this course is to provide students with a good understanding of the financial decisions that are taken by managers at international firms. That is the reason why cases will be discussed in order to understand why multinational companies take operational and strategic financial decisions. Secondly, the currency risk management will be analysed. Hence, derivative products and the foreign exchange market will be explained and a special attention will be paid to currency derivatives as a hedge. Finally, international payment methods, multinational cash management techniques and transfer prices will be analysed.
3. Competences to be achieved in the course

<table>
<thead>
<tr>
<th>General competences</th>
<th>Specific competences</th>
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</thead>
<tbody>
<tr>
<td><strong>Instrumental competences</strong></td>
<td><strong>Disciplinary competences</strong></td>
</tr>
<tr>
<td>G.I.2. Ability to relate concepts and knowledge from different areas.</td>
<td>E.D.1. Facilitate understanding of the determinants and consequences of international financial transactions.</td>
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<tr>
<td>G.I.4. Ability to tackle and solve problems.</td>
<td>E.D.10. Introduce basic financial concepts and analytical techniques and introduce their application to international transactions.</td>
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<td>G.I.5. Ability to take decisions in complex and changing environments.</td>
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<tr>
<td><strong>General personal competences</strong></td>
<td><strong>Professional competences</strong></td>
</tr>
<tr>
<td><strong>Generic systemic competences</strong></td>
<td>E.P.2. Ability to analyse economic and market indicators when taking decisions within the organisation.</td>
</tr>
<tr>
<td><strong>Competences for applicability</strong></td>
<td>E.P.17. Ability to express and understand spoken and written communication in English at an advanced level in the international business environment.</td>
</tr>
<tr>
<td>G.A.1. Ability to apply acquired knowledge and skills.</td>
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<tr>
<td>G.A.2. Ability to use quantitative criteria and qualitative insights when taking decisions.</td>
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<tr>
<td>G.A.3. Ability to search and exploit new information sources.</td>
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</table>

**Own competences of the subject**

a) Assess and discuss the economic and financial diagnosis of multinational companies and take decisions in order to determine an action plan to solve problems, if any.

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>
</tr>
</thead>
<tbody>
<tr>
<td>Quizzes, assigned exercises and cases</td>
<td>Throughout the semester</td>
<td>Compulsory X</td>
<td>Lecturer X</td>
<td>Self-assess X</td>
<td>Conceptual and application X</td>
<td>Individual</td>
</tr>
<tr>
<td>Midterm exam</td>
<td>Week 5</td>
<td>Compulsory X</td>
<td>Lecturer X</td>
<td>Self-assess X</td>
<td>Analysis Application Conceptual Overall understanding X</td>
<td>Individual (Group #)</td>
</tr>
<tr>
<td><strong>Sonora Case group project</strong></td>
<td>Week 10</td>
<td>Compulsory X</td>
<td>Lecturer X</td>
<td>Self-assess X</td>
<td>Analysis Application Conceptual Overall understanding X</td>
<td>Individual (5 students per group)</td>
</tr>
<tr>
<td>Final exam (a minimum grade of 4 is required to pass the course)</td>
<td>Exam Week</td>
<td>Compulsory X</td>
<td>Lecturer X</td>
<td>Self-assess X</td>
<td>Conceptual, application, and overall understanding X</td>
<td>Individual</td>
</tr>
<tr>
<td>Participation bonus grade (maximum 1.0)</td>
<td>Ongoing</td>
<td>Compulsory X</td>
<td>Lecturer X</td>
<td>Self-assess X</td>
<td>Analysis Application Conceptual Overall understanding X</td>
<td>Individual (≤10% bonus)</td>
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</table>

**Sonora case group project** will have to 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 power point (or prezi) presentation will have to be delivered.
- Presentation (12 to 15 minutes by group). A different grade will be provided to each member of the group. Hence, all students must participate.
- Discussion: questions asked to other groups and answers provided to the questions asked by classmates. A different grade will be provided to each member of the group. Hence, 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.
Class participation will be evaluated as extra credit, contributing up to 1 point (out of 10) to the final grade. Only those students who fulfill the following criteria can obtain partial or full credit in this category of the assessment:

- demonstrate preparation: relate things 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

Supplementary Evaluation

For those students who during the regular term evaluation have obtained a weighted final grade below 5.0, but have obtained a continuous evaluation above 4.0 (Quizzes, assigned exercises and cases, Midterm exam and Group project), there will be a supplementary evaluation according to ESCI-UPF calendar and academic regulations. This supplementary evaluation will imply a re-take of the final exam that will account for 50% of the total grade. The total final grade will keep the obtained grades in the rest of continuous evaluation elements.

6. Bibliography and teaching resources

- Basic bibliography

- Supplementary bibliography

- Teaching resources
  - Power point slides
  - e-computerl@and case 1
  - Siemens case
  - NH Hotels Group case
  - e-computerl@and case 2
  - Sonora case
  - Financial Derivatives Exercises
  - Currency Market Exercises
  - Currency Risk Management Exercises
7. Methodology

The professor will explain the contents and exercises will be solved and case studies will be discussed in order to apply all the contents to real situations. Good preparation is required before attending sessions which may consists on reading bibliography, solve exercises and prepare cases in order to be ready to discuss them.

8. Scheduling activities

<table>
<thead>
<tr>
<th>Week</th>
<th>Session</th>
<th>In class</th>
<th>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 1</td>
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<td></td>
<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>Diagnosis. Siemens case. NH Hotel Group Case</td>
<td>Siemens case NH Hotel Group Case</td>
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<td>Lecture 6</td>
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<td>Week 4</td>
<td>Lecture 7</td>
<td>Financial forecasting Action plan</td>
<td>Martinez (2012), chapter 2 &amp; e-computerl@and case 2</td>
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<td>Lecture 8</td>
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<td>Week 5</td>
<td>Lecture 9</td>
<td>Growth without Extra Financing. The Value Chain Long-term strategic financial decisions applied to multinational companies. ABC Logistics case.</td>
<td>Martínez (2012), chapter 9 &amp; ABC Logistics case</td>
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<td>Lecture 10</td>
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<tr>
<td>Week 6</td>
<td>Lecture 11</td>
<td><strong>Midterm exam</strong> Derivatives concept. Purpose of derivatives. Forwards. Futures</td>
<td>Comisión Nacional del Mercado de Valores</td>
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<td>Lecture 12</td>
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<tr>
<td>Week 7</td>
<td>Lecture 13</td>
<td>Daily settlement of positions and posting margins. Call options. Put options. Using derivatives as a hedge</td>
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<td>Lecture 14</td>
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<tr>
<td>Week 8</td>
<td>Lecture 15</td>
<td>Currency market Currency risk concept. Currency forwards as a hedge</td>
<td>Martínez (2009)</td>
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<td></td>
<td>Lecture 16</td>
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<td></td>
<td>Lecture 18</td>
<td>Multinational Cash Management</td>
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<tr>
<td>Week 10</td>
<td>Lecture 19</td>
<td>Sonora Case group project Sonora Case group project</td>
<td>Sonora case</td>
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<td>Lecture 20</td>
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<tr>
<td>Exams week</td>
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<td><strong>Final exam</strong></td>
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