



FISHER COLLEGE OF BUSINESS

**BUSFIN 3250: FOUNDATIONS OF INTERNATIONAL FINANCE  
FALL 2018**

<b>INSTRUCTOR:</b>	Prof. Taner Pirim
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<b>WEB PAGE:</b>	Carmen
<b>CLASS TIME &amp; ROOM:</b>	Tu/Th 12:45 pm – 2:05 pm, Schoenbaum Hall 200
<b>OFFICE HOURS:</b>	Tuesday 10:45 am – 12:00 pm OR by appointment, please email with a subject “BUSFIN 3250”
<b>TEXTBOOK:</b>	Eun, C.; Resnick, B., “International Financial Management”, 7th Edition, McGraw-Hill ISBN-13: 978-0077861605 (Hardcopy) ISBN-13: 978-1308232584 (Softcopy)

**Course Description**

As advancements and changes in every field, the scope and content of international finance have been fast evolving due to deregulation of financial markets, product innovations, and technological advancements. As capital markets of the world are becoming more integrated, a solid understanding of international finance has become essential and critical for making astute corporate decisions. Reflecting the growing importance of international finance as a discipline, there is a sharp increase in the demand for experts in the area in the corporate world.

Hence, the course is designed to introduce you to the world of international finance, especially the fundamental concepts and problem-solving techniques used in corporate financial decision-making in an international context. This course examines the foreign exchange markets and how they shape the environment within which corporate wealth-maximizing decisions are made.

The course is designed for undergraduate students who have a good understanding of basic economics, accounting and corporate finance. If you are shaky on basic finance knowledge such as discounted cash flows, net present value beside basics of statistics, i.e. mean, variance, correlations, regression analysis, it is strongly recommended to get yourself up to speed with this material.

## Course Objectives

By the end of this course, students should successfully be able to understand the framework for making corporate financial decisions in an international context. The students will learn a spectrum of topics in the area of international financial management such as how to measure currency exposure, how to structure financial and operational hedges for currency risk, how to structure a global financing program, how to raise capital in international equity and bond markets, how to incorporate strategic aspects in the globalization process, etc.

This course has two primary objectives with the first one being to develop a market-based understanding of exchange rates and show how exchange rate volatility affects corporate decision-making. Four major areas that will be covered are the international environment, the foreign exchange derivative markets, factors that affect exchange rates, and foreign exchange exposure and the firm. The second objective is to develop a general understanding of market functioning. The course will not only develop the institutional and quantitative details of markets, but also introduce a “financial” way of thinking about costs and risks.

## Course Materials

### Required Textbook

Title: “International Financial Management”, 7<sup>th</sup> Edition, McGraw-Hill

Authors: Cheul S. Eun & Bruce G. Resnick

ISBN-13: 978-0077861605 (Hardcopy)

ISBN-13: 978-1308232584 (Softcopy)

### Required Financial Calculator

TI BA-II (any version) or TI-80 series (Model 82, 83, 84, 85, 86, 89, etc.). Available at the OSU Bookstore, as well as Target, Wal-Mart, on-line, etc. Students who already have a TI-80 Series calculator are not required to purchase a BA-II model, but it will be up to you to learn how to translate BA-II notation into how to solve problems using your calculator.

[http://www.amazon.com/Texas-Instruments-Plus-Financial-Calculator/dp/B00000JZKB/ref=pd\\_sim\\_b\\_1](http://www.amazon.com/Texas-Instruments-Plus-Financial-Calculator/dp/B00000JZKB/ref=pd_sim_b_1)

Here is a link to some tutorials using the TI BA-II and TI-83:

TI BA-II: [http://movies.atomiclearning.com/k12/ti\\_ba2](http://movies.atomiclearning.com/k12/ti_ba2)

TI-83: <http://educ.jmu.edu/~drakepp/general/calculator/ti83.html>

### Lecture Materials

There will be lecture materials for each week. Each week, copies of these lecture materials will be available on course web site. Lecture notes and any other reading materials will be posted in the form of MS Word, Power Point and/or Adobe Acrobat files. It is your responsibility to print them out before/after the class.

### Suggested End-of-Chapter Problems (Optional)

The course textbook has a set of problems at the end of each chapter. These questions are designed to help students assess their understanding of chapter topics. Some of these problems/questions will be selected from each chapter and will be posted on Carmen (unless

appears on the following *Course Schedule*). Students should try to answer these problems after they finish reading a chapter to check their understanding of the topics covered.

### **Suggested Readings (Optional)**

Wall Street Journal: [www.wsj.com](http://www.wsj.com)

Financial Times: <http://www.ft.com/home/us>

Bloomberg: [www.bloomberg.com](http://www.bloomberg.com)

Yahoo! Finance: <http://finance.yahoo.com/>

Freakonomics: <http://freakonomics.blogs.nytimes.com/>

Baseline Scenario: <http://baselinescenario.com/>

Real Time Economics (WSJ): <http://blogs.wsj.com/economics/>

Calculated Risk: <http://www.calculatedriskblog.com/>

Economy and Economics of Everyday Life: <http://economix.blogs.nytimes.com/>

### **Course Website**

The course website is located on Carmen (<https://carmen.osu.edu>). A student must be registered for the course to access the course web site.

Important Resources on the Course Website:

- Course syllabus
- Supplemental course material used (or mentioned) in class
- Lecture notes (PowerPoint slides)
- Course announcements
- Optional Problem sets and solutions
- Detailed solutions for all suggested end-of-chapter problems in the course text
- Posted exam scores (privately for each student)
- Exam formulas
- **Logging in Carmen:** Be sure you are logging in to the course in Carmen each week, including weeks with holidays or weeks with minimal online course activity. (During most weeks you will probably log in many times.) If you have a situation that might cause you to miss an entire week of class, discuss it with me *as soon as possible*.

### **Course Technology:**

Baseline technical skills necessary for this course

- Basic computer and web-browsing skills
- Navigating Carmen
- Working within a Publisher's website

### **Technology Support for Carmen**

As instructor, my responsibility is the course content and evaluating performance. Please contact me about any concerns in these areas. However, I am generally not able to assist in matters relating to technology, connectivity or Carmen access. Such issues may be addressed directly to either Carmen Technical support or Help desk.

Hence sources of help are available from [helpdesk@osu.edu](mailto:helpdesk@osu.edu) (or by phone at 292-8976) and [Carmen@osu.edu](mailto:Carmen@osu.edu) or 614-688-HELP at any time.

### **Technology Support for McGraw-Hill**

If you have any issues while registering or using the course website, please contact McGraw-Hill's Customer Experience team through <http://www.mhhe.com/support> or at 800-331- 5094. To avoid problems related to unexpected technical issues, you are advised not to wait until the last moment.

### **Course Requirements:**

#### **Attendance and Participation:**

Etiquette guidelines and professionalism will be followed. It is expected that students treat others, their ideas, and their time with respect by arriving class on time. Please mute phones, laptops, tablets and any other electronic devices. Laptops and tablets are permitted in class to be used ONLY for note taking and in-class assignments.

You are strongly encouraged to participate in this class. I encourage you to ask questions and participate in discussions. This makes classes more interesting. I also encourage you to give me any suggestions that you have about improving the course.

#### **Assignments:**

Each assignment has specific purposes to build and develop essential skills to be a successful professional. Guidelines will be given for each assignment. It is the student's responsibility to seek out additional information for each assignment. You can contest your assignment grade until next assignment due date and for the last assignment until reading day.

Assignments are due in class on the day specified by the instructor. Penalties: 10% reduction within 2 days, 30% reduction within 7 days. No assignments will be accepted after 7 days. The lowest score assignment will be dropped.

#### **Exams:**

There will be three midterm exams and one COMPREHENSIVE final exam. The midterm and final questions might be drawn from the same pool of questions. All exams are closed-book and closed-notes. Each midterm exam will cover certain topics in the course. The topics and related textbook chapters covered by each midterm exam can be found in the **Course Schedule**. All exam questions follow a multiple-choice format. The midterm and final exams will be 100 points each. The multiple choice questions will involve both conceptual questions as well as calculation questions, based on material covered in class and from the suggested problem sets and problems at the back of each chapter as well as suggested problems posted on Carmen, if any posted.

Students also will be provided with **exam study questions** in advance of each exam. These will be posted to the course Carmen website, and are intended to give students an idea of how actual exam questions will look and also an opportunity to check their understanding of financial concepts and techniques. Each set of sample questions includes an answer key.

Students should bring to each exam:

1. A financial calculator
2. A valid picture ID. You will not be permitted to take an exam without presenting a **valid photo ID**.

3. Several #2 pencils, which you will need for the “bubble sheet”

All exams are “closed book/notes”. Students may not use any reference material to help them answer exam questions. Students will be given scrap paper at the exam. No student is permitted to use his or her own scarp paper.

**Exam rules:**

You should be in your seat 5 minutes before the exam starts. All electronic devices other than your calculator must be turned off and put away during exams. All other course materials must be out of sight. All hats and hoods must be off your head.

Your exam grades will be posted on Carmen. Exams are NOT returned to the students, but you may view your scantron during office hours.

**Make-up Exams:**

As a general rule, make-up exams are NOT given in this course. However, a student may be allowed to take a make-up exam, if in the opinion of the instructor, there are special or extenuating circumstances. Without permission to take a make-up exam, failure to take an exam will result in grade of zero on the exam in question. Every effort should be made (e.g. email, voicemail, message with the Finance Department Office) to notify the instructor at least 24 hours in advance.

*Under no circumstances will a student be excused from an exam.*

**Course Grading Policy:**

Your final course grade will be based on assignments, midterm and comprehensive final exam as shown in table below.

Assignment or category	Points	Percentage of total grade
Assignments (Maximum 5)	100 points (each)	20 %
Midterm 1	100 points	18 %
Midterm 2	100 points	18 %
Midterm 3	100 points	18 %
Final Exam	100 points	26 %

*See course schedule, below, for due dates*

**Total Course Grade = 0.26 x (Final Exam Grade) + 0.18 x (Midterm Exam 1 Grade) + 0.18 x (Midterm Exam 2 Grade) + 0.18 x (Midterm Exam 3 Grade) + 0.20 x (Average of Assignments Grade)**

After the total course grade has been calculated for all students, the average for the class is calculated. If the course class average is below 75%, a curve adjustment is applied. The curve adjustment equals 75% minus the course class average. If the course class average is equal or above 75%, curve adjustment is not applied (that is curve adjustment is zero).

The course grade will be converted to a letter grade for the course using the following grading scale:

**Grading scale:**

A	93 – 100	B+	87–89.9	C+	77–79.9	D+	67 –69.9	E	Below 60
A-	90 – 92.9	B	83–86.9	C	73–76.9	D	60 –66.9		
		B-	80–82.9	C-	70 –72.9				

Prof. Pirim reserves the right to correct grades recorded on the course website, should he determine such entries were posted incompletely or incorrectly.

**Academic Integrity Policy:**

The Ohio State University's *Code of Student Conduct* (Section 3335-23-04) defines academic misconduct as: "Any activity that tends to compromise the academic integrity of the University, or subvert the educational process." Examples of academic misconduct include (but are not limited to) plagiarism, collusion (unauthorized collaboration), copying the work of another student, and possession of unauthorized materials during an examination. Ignorance of the University's *Code of Student Conduct* is never considered an "excuse" for academic misconduct, so I recommend that you review the *Code of Student Conduct* and, specifically, the sections dealing with academic misconduct.

**If I suspect that a student has committed academic misconduct in this course, I am obligated by University Rules to report my suspicions to the Committee on Academic Misconduct.** If COAM determines that you have violated the University's *Code of Student Conduct* (i.e., committed academic misconduct), the sanctions for the misconduct could include a failing grade in this course and suspension or dismissal from the University.

If you have any questions about the above policy or what constitutes academic misconduct in this course, please contact me.

**Accommodations for Accessibility:**

**Requesting accommodations**

If you would like to request academic accommodations based on the impact of a disability qualified under the Americans with Disabilities Act and Section 504 of the Rehabilitation Act of 1973, contact your instructor privately as soon as possible to discuss your specific needs. Discussions are confidential.

In addition to contacting the instructor, please contact the Office for Disability Services at [614-292-3307](tel:614-292-3307) or [ods@osu.edu](mailto:ods@osu.edu) to register for services and/or to coordinate any accommodations you might need in your courses at The Ohio State University.

Go to <http://ods.osu.edu> for more information.

**Tentative Course Schedule**

The following describes the tentative class schedule. The topics covered on each proposed day may change as the semester progresses, but the general order will not vary. Students are strongly urged to read the appropriate chapters BEFORE the lecture so as to learn more during the lectures.

Class Date	Topics, Readings, Assignments, Deadlines
Week 1  Aug 21 <sup>st</sup> Aug 23 <sup>rd</sup>	Week 1: Globalization and the Multinational Firm Course Introduction & Review Syllabus Reading: Chapter 1 and Appendix A. <u>Suggested Questions:</u> ER Chapter 1: Questions 1 through 5 <u>Suggested Problems:</u> ER Appendix A: Problems 1, 2 Assignment for this week: <ol style="list-style-type: none"> <li>1. Read chapter 1</li> <li>2. Download slides for chapter 1</li> <li>3. Review chapter 1 slides before class</li> </ol>
Week 2  August 28 <sup>th</sup> August 30 <sup>th</sup>	Week 2: International Monetary System (Chapter 2) Reading: Chapter 2 <u>Suggested Questions:</u> ER Chapter 2: Questions 1 through 4 Assignment for this week: <ol style="list-style-type: none"> <li>1. Read Chapter 2</li> <li>2. Download slides for Chapter 2</li> <li>3. Review Chapter 2 slides before class</li> </ol>
Week 3  September 4 <sup>th</sup> September 6 <sup>th</sup>	Week 3: Balance of Payments Reading: Chapter 3 <u>Suggested Questions:</u> ER Chapter 3: Questions 1 through 4 Assignment for this week: <ol style="list-style-type: none"> <li>1. Read Chapter 3</li> <li>2. Download slides for Chapter 3</li> <li>3. Review Chapter 3 slides before class</li> </ol>
Week 4  September 11 <sup>th</sup> September 13 <sup>th</sup>	Week 4: The Market for Foreign Exchange: Spot Market Reading: Chapter 5 pp. 110-128 <u>Suggested Questions:</u> ER Chapter 5: Questions 1, 2, 3, 5, 7 <u>Suggested Problems:</u> ER Chapter 5: 1, 2, 3, 8 Assignment for this week: <ol style="list-style-type: none"> <li>1. Read Chapter 5</li> </ol>

Class Date	Topics, Readings, Assignments, Deadlines
	<ol style="list-style-type: none"> <li>2. Download slides for Chapter 5</li> <li>3. Review Chapter 5 slides before class</li> </ol>
<p>Week 5</p> <p>September 18<sup>th</sup></p> <p><b>September 20<sup>th</sup></b> <b>(Midterm 1)</b></p>	<p>Week 5: <i>Continued</i> The Market for Foreign Exchange: Forward Market  Reading: Chapter 5 pp. 129-134  <u>Suggested Questions:</u> ER Chapter 5: Questions 5, 7  <u>Suggested Problems:</u> ER Chapter 5: 2, 3</p> <p><b>MIDTERM 1: Material Covered to date in Chapters 1,2,3 and 5. Photo ID required. Remember to bring your financial calculator and several number 2 pencils.</b></p>
<p>Week 6</p> <p>September 25<sup>th</sup></p> <p>September 27<sup>th</sup></p>	<p>Week 6: International Parity Relationships and Forecasting Foreign Exchange Rates: Exchange Rates and Interest Rates  <u>Suggested Questions:</u> ER Chapter 6: Question 1, 2  <u>Suggested Problems:</u> ER Chapter 6: 1, 2</p> <p>Reading: Chapter 6 pp. 139-148</p> <p>Assignment for this week:</p> <ol style="list-style-type: none"> <li>1. Read Chapter 6</li> <li>2. Download slides for Chapter 6</li> <li>3. Review Chapter 6 slides before class</li> </ol>
<p>Week 7</p> <p>October 2<sup>nd</sup></p> <p>October 4<sup>th</sup></p>	<p>Week 7: <i>Continued</i> Int'l Parity Relationships and Forecasting Foreign Exchange Rates: Exchange Rates and Prices &amp; Exchange Rates and Prices  Reading: Chapter 6 pp. 148-157 &amp; 157-164  <u>Suggested Questions:</u> ER Chapter 6: Questions 4, 5  <u>Suggested Problems:</u> ER Chapter 6: Problem 3, 6, 7, 9</p> <p>Assignment for this week:</p> <ol style="list-style-type: none"> <li>1. Read Chapter 6</li> <li>2. Download slides for Chapter 6</li> <li>3. Review Chapter 6 slides before class</li> </ol>
<p>Week 8</p>	<p>Week 8: Futures and Options on Foreign Exchange  Reading: Chapter 7</p>



Class Date	Topics, Readings, Assignments, Deadlines
October 9 <sup>th</sup> <b>October 11<sup>th</sup></b> <b>(Autumn Break)</b>	<u>Suggested Questions:</u> ER Chapter 7: 1, 2, 5 <u>Suggested Problems:</u> ER Chapter 7 : 1, 2, 3, 8 Assignment for this week: <ol style="list-style-type: none"> <li>1. Read Chapter 7</li> <li>2. Download slides for Chapter 7</li> <li>3. Review Chapter 7 slides before class</li> </ol>
Week 9  October 16 <sup>th</sup> October 18 <sup>th</sup>	Week 9: Transaction Exposure Reading: Chapter 8 <u>Suggested Questions:</u> ER Chapter 8: 1 through 5 <u>Suggested Problems:</u> ER Chapter 8: 1, 2, 3 Assignment for this week: <ol style="list-style-type: none"> <li>1. Read Chapter 8</li> <li>2. Download slides for Chapter 8</li> <li>3. Review Chapter 8 slides before class</li> </ol>
Week 10  October 23 <sup>rd</sup>  <b>October 25<sup>th</sup></b> <b>(Midterm 2)</b>	Week 10:  <i>Continued</i> Transaction Exposure (Chapter 8)  <b>MIDTERM 2: Material Covered to date in Chapters 6, 7, and 8. Photo ID required. Remember to bring your financial calculator and several number 2 pencils.</b>
Week 11  October 30 <sup>th</sup> November 1 <sup>st</sup>	Week 11: Economic Exposure Reading: Chapter 9 <u>Suggested Questions:</u> ER Chapter 9: 1 through 6 Assignment for this week: <ol style="list-style-type: none"> <li>1. Read Chapter 9</li> <li>2. Download slides for Chapter 9</li> <li>3. Review Chapter 9 slides before class</li> </ol>

Class Date	Topics, Readings, Assignments, Deadlines
Week 12  November 6 <sup>th</sup> November 8 <sup>th</sup>	Week 12: International Bond Markets Reading: Chapter 12 Assignment for this week: <ol style="list-style-type: none"> <li>1. Read Chapter 12</li> <li>2. Download slides for Chapter 12</li> <li>3. Review Chapter 12 slides before class</li> </ol>
Week 13  November 13 <sup>th</sup> November 15 <sup>th</sup>	Week 13: International Equity Markets Reading: Chapter 13 Assignment for this week: <ol style="list-style-type: none"> <li>1. Read Chapter 13</li> <li>2. Download slides for Chapter 13</li> <li>3. Review Chapter 13 slides before class</li> </ol>
Week 14  November 20 <sup>th</sup> <b>November 22<sup>nd</sup></b> <b>(Thanksgiving)</b>	Week 14: Interest Rates and Currency Swaps Reading: Chapter 14 Assignment for this week: <ol style="list-style-type: none"> <li>1. Read Chapter 14</li> <li>2. Download slides for Chapter 14</li> <li>3. Review Chapter 14 slides before class</li> </ol>
Week 15 November 27 <sup>th</sup>          <b>November 29<sup>th</sup></b> <b>(Midterm 3)</b>	Week 15: <i>Continued</i> Interest Rates and Currency Swaps <u>Suggested Questions</u> : ER Chapter 14: 1, 2, 3, 4, 5 <u>Suggested Problems</u> : ER Chapter 14: 1, 2, 3, 4 Assignment for this week: <ol style="list-style-type: none"> <li>1. Read Chapter 14</li> <li>2. Download slides for Chapter 14</li> <li>3. Review Chapter 14 slides before class</li> </ol> <b>Midterm 3: Material Covered to date in Chapters 9, 12, 13, 14. Photo ID required. Remember to bring your financial calculator and several number 2 pencils.</b>

Class Date	Topics, Readings, Assignments, Deadlines
Week 16 December 4 <sup>th</sup>	Week 16: Final Exam Review Final Exam Review
<b>Final Date/Time:</b>	<b>Final Week:</b> <b>COMPREHENSIVE FINAL EXAM: Material Covered to date from the beginning of the semester. Photo ID required. Remember to bring your financial calculator and several number 2 pencils.</b> <b>* Please check to confirm the final exam date/time from OSU final examination schedule URL:</b> <a href="https://registrar.osu.edu/scheduling/SchedulingContent/AU18Finals.pdf">https://registrar.osu.edu/scheduling/SchedulingContent/AU18Finals.pdf</a>

*Good Luck.*