

UNIVERSITY of
STIRLING

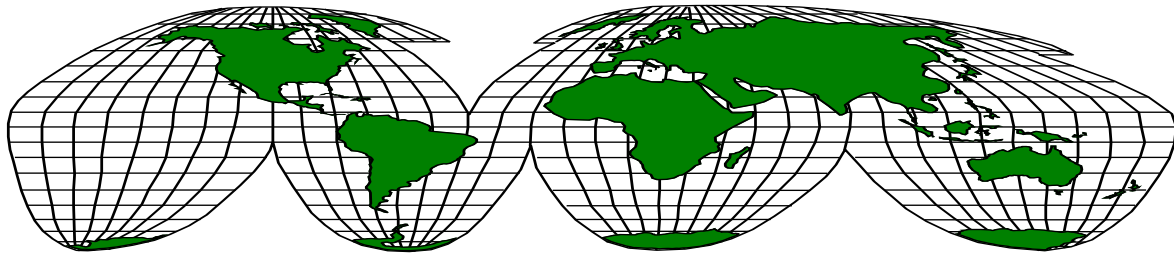


ERASMUS+

2014 - 2020 programme for Education,
Training, Youth, and Sport



ISSUES IN INTERNATIONAL FINANCE AUTUMN 2018



TEACHING STAFF

The course will be taught by *Dr Kevin Campbell* of the University of Stirling, Scotland, UK, in November and December 2018, as indicated below.

COURSE SCHEDULE

The teaching sessions will take place at the following dates and times, and at the locations shown:

1. 30.11.2018 (Friday) w godz. 11.30-15.00 room 307
2. 03.12.2018 (Monday) w godz. 15.15-18.30 room 307
3. 04.12.2018 (Tuesday) w godz. 13.30-16.45 room AULA WZ
4. 05.12.2018 (Wednesday) w godz. 13.30-16.00 room 310

COURSE AIMS

The course will provide an understanding of the key areas of international finance. It will focus on:

1. *the operation of the foreign exchange market;*
2. *the relationship between exchange rates, interest rates and inflation rates;*
3. *the nature of foreign exchange risk;*
4. *the management of foreign exchange risk*

COURSE OBJECTIVES

The course will provide students with a solid knowledge of international finance by exploring those aspects of corporate finance that are unique to the international environment. Particular emphasis will be placed on the additional risks facing companies that operate internationally and techniques that may be used to manage these risks. The course will cover the theoretical underpinnings of financial decision-making and discussion of companies' real-world activities.

By the end of the course students should be able to:

1. Understand the mechanics of the foreign exchange market and how exchange rates are quoted.
2. Identify and exploit opportunities to make money from currency arbitrage.
3. Understand the factors that drive exchange rates, and in particular how spot and forward exchange rates are related to interest rates and inflation rates.
4. Understand and the theories of Interest rate Parity, Purchasing Power Parity, the Fisher Effect, the International Fisher effect and the Expectations Theorem.
5. Identify and exploit opportunities to profit from covered (and uncovered) interest arbitrage.
6. Appreciate the types of foreign exchange risk faced by exporters, importers and multinational companies.
7. Calculate the hedged domestic value of future foreign currency cash flows using a money market hedge and a forward market hedge.
8. Appreciate the differences between the major derivative instruments and identify the types of risks that they may be used to hedge against.

METHOD OF TEACHING

The learning method will be a combination of lectures, demonstrations of solutions to selected exercises and classroom discussion of exercises. Lectures will be delivered with the aid of PowerPoint and copies of the slides will be made available to students. Students will be provided with a Course Pack containing classroom exercises. The exercises will be tackled at the start of classes 2-4 and will be based on the topics covered in the previous class. The classes will include quizzes that will make use of Audience Response Systems. These will enhance learning and provide feedback on understanding of the topics covered on the course, and they will also assist with revision for the course assessment.

COURSE PACK

A course pack of exercises will be available at the start of the course. Students will also be provided with details of other materials available via the Internet.

USEFUL BOOKS

There is no requirement to purchase a book for the course. However, students may find the following international finance texts to be of help:

Madura, Jeff & Fox, Roland, *International Financial Management*, 3rd edition, Cengage Learning, 2014.

Eiteman, D K, Stonehill, A I, & Moffet, M H, *Multinational Business Finance*, 14th edition, Pearson Education, 2016.

Buckley, A, *Multinational Finance*, 5th edition, Pearson Education, 2004.

COURSE ASSESSMENT

The course assessment will take the form of a short multiple-choice test at the end of the course. The questions in the test will be similar in nature to the multiple-choice Quiz questions and the exercises discussed and solved in the classroom.

TOPICS COVERED

The topics that will be covered are as follows.

Class	Topic
1	The International Financial Environment The operation of the Foreign Exchange (FX) market The quotation of exchange rates Currency Arbitrage
2	International Parity Conditions <ul style="list-style-type: none">- Interest Rate Parity (and covered interest arbitrage)- Purchasing Power Parity- Fisher Effect- International Fisher Effect (and the carry trade)- Expectations theorem
3	FX exposure and its management <ul style="list-style-type: none">- Types of FX exposure- FX hedging techniques
4	Revision Course Assessment

Some of the above topics will stretch over more than one teaching session.