Unit Outline*

FINA8631

INTERNATIONAL FINANCIAL ANALYSIS

Semester 1, 2011
Crawley Campus

Mr Gary Smith

Business School

www.business.uwa.edu.au

* This Unit Outline should be read in conjunction with the Business School Unit Outline Supplement available on the Current Students web site http://www.business.uwa.edu.au/students
UNIT DESCRIPTION

Introduction
Welcome to FINA8631 International Financial Analysis. The purpose of this unit is to develop an understanding of the problems associated with international financial management. This is a unit which extends the study of financial management embraced in the prerequisite unit Managerial Finance.

Unit content
The first half of this unit introduces students to the fundamentals of international finance. It provides a broad presentation of the functions of the multinational corporation, briefly reviews international monetary systems, studies foreign exchange rates and markets, international parity conditions and risk management through forward exchange rates, futures and options.

The second half of the unit proceeds to a study of the management of international operating exposure. It then extends significant sections of the unit Managerial Finance into the international sphere, building on the expertise gained in that unit in the areas of short-term financing, cost of capital, capital budgeting and portfolio analysis. It extends these concepts to the international arena so as to be used in the evaluation of prospective international projects.

The goal of the unit
The goals of this units are:
- To provide a logical development from the prerequisite finance unit Managerial Finance.
- To develop an expertise in the use of foreign exchange securities and markets
- To provide an understanding of risk management, in international finance, through the use of forward exchange rates, futures and options.
- To provide an awareness of the international sources of short-term financing.
- To provide an understanding of, and ability to implement, techniques of international capital budgeting.
- To provide an appreciation of financial management problems facing companies operating in an international environment.

Learning outcomes
On completion of this unit, you should be able to:
- Understand the international financial environment, especially the international monetary system.
- Be familiar with the foreign exchange market.
- Use international parity conditions to explain and predict the long-term trends of foreign currencies.
- Be able to use foreign currency derivatives for hedging or speculating in the currency market.
- Demonstrate a working knowledge of measuring and managing currency exposure.
- Demonstrate knowledge and application of investment and financing decisions in a global context.

Educational principles and graduate attributes
In this unit, you will be encouraged and facilitated to develop the ability and desire to:
- To think, reason and analyse logically and creatively
- To question accepted wisdom and be open to innovation
- To further develop the skills required to learn, and to continue through life to learn, from a variety of sources and experiences
- To develop attitudes which value learning
- To develop the capacity for effective teamwork.
- To communicate clearly, effectively and appropriately in a range of contexts
- To master the subject matter, concepts and techniques of their chosen discipline(s) at internationally-recognised levels and standards.
- To undertake problem identification, analysis and solution;
TEACHING AND LEARNING RESPONSIBILITIES

Teaching and learning strategies
This unit is a combination of lecture, discussion, problem solving and case studies. To achieve maximum learning benefit from each week’s seminar students are advised to read through the assigned readings prior to the weekly seminar.

Teaching and learning evaluation
You may be asked to complete two evaluations during this unit. The Student Perception of Teaching (SPOT) and the Students’ Unit Reflective Feedback (SURF). The SPOT is optional and is an evaluation of the lecturer and the unit. The SURF is completed online and is a university wide survey and deals only with the unit. You will receive an email from the SURF office inviting you to complete the SURF when it is activated. We encourage you to complete the forms as your feedback is extremely important and can be used to make changes to the unit or lecturing style when appropriate.

Attendance
Participation in class, whether it be listening to a lecture or getting involved in other activities, is an important part of the learning process, therefore it is important that you attend classes. More formally, the University regulations state that ‘to complete a course or unit students shall attend prescribed classes, lectures, seminars and tutorials’. Where a student, due to exceptional circumstances, is unable to attend a scheduled class, they are required to obtain prior approval of the unit coordinator to be absent from that class. Any student absent from class without having had such absence approved by the unit coordinator may be referred to the faculty for advice and may be required to withdraw from the unit.

CONTACT DETAILS
We strongly advise students to regularly access their student email accounts. Important information regarding the unit is often communicated by email and will not be automatically forwarded to private email addresses.

<table>
<thead>
<tr>
<th>Unit coordinator/lecturer</th>
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<tbody>
<tr>
<td><strong>Name:</strong> Gary Smith</td>
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<tr>
<td><strong>Email:</strong> <a href="mailto:Gary.Smith@uwa.edu.au">Gary.Smith@uwa.edu.au</a></td>
</tr>
<tr>
<td><strong>Phone:</strong> 6488 3855</td>
</tr>
<tr>
<td><strong>Consultation hours:</strong> Contact Gary for an appointment.</td>
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<td><strong>Lecture times:</strong> Tues 2pm-5pm</td>
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<td><strong>Lecture venue:</strong> Busn: 142</td>
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TEXTBOOK(S) AND RESOURCES

Unit website
http://www.webct.uwa.edu.au

Recommended/required text(s)
The prescribed text is:
Additional resources and reading material

In addition to this book, textbooks by Buckley, Multinational Finance; Brealey, Myers, Partington and Robinson, Principles of Corporate Finance; Eun and Resnick, International Financial Management; Eiteman, Stonehill and Moffett, Multinational Business Finance; Moosa, International Finance; Solnik, International Investments; Grabbe, International Financial Markets; and Shapiro’s Multinational Financial Management may be found in the Business Library. You are encouraged to review other textbooks for new applications and problems as well as to help achieve a deeper understanding of many of the theoretical and analytical concepts presented in this unit.

UNIT SCHEDULE

<table>
<thead>
<tr>
<th>Week #</th>
<th>Topic</th>
<th>Readings</th>
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<tbody>
<tr>
<td>1</td>
<td>Introduction to FX</td>
<td>Chapters 1, 3 &amp; 6</td>
</tr>
<tr>
<td>2</td>
<td>FX Rates and Derivatives</td>
<td>Chapters 4 &amp; 5</td>
</tr>
<tr>
<td>3</td>
<td>Financial Engineering</td>
<td>Chapters 5, 5A &amp; 5B</td>
</tr>
<tr>
<td>4</td>
<td>Arbitrage and Interest Rate Parity</td>
<td>Chapter 7</td>
</tr>
<tr>
<td>5</td>
<td>Parity Conditions</td>
<td>Chapter 8</td>
</tr>
<tr>
<td>6</td>
<td>Forecasting FX, Measuring Exposure</td>
<td>Chapters 9 &amp; 10</td>
</tr>
<tr>
<td>7</td>
<td>Transaction Exposure Management</td>
<td>Chapter 11</td>
</tr>
<tr>
<td>8</td>
<td>Global Financing</td>
<td>Chapters 1, 3A &amp; 18</td>
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<tr>
<td>9</td>
<td>Mid-Semester Exam</td>
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<tr>
<td>10</td>
<td>Foreign Direct Investment and Country Risk</td>
<td>Chapters 13 &amp; 16</td>
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<tr>
<td>11</td>
<td>International Corporate Governance</td>
<td>Chapter 15</td>
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<tr>
<td>12</td>
<td>Multinational Cost of Capital</td>
<td>Chapter 17</td>
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<tr>
<td>13</td>
<td>Multinational Capital Budgeting</td>
<td>Chapter 14</td>
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ASSESSMENT MECHANISM

The purpose of assessment

There are a number of reasons for having assessable tasks as part of an academic program. The assessable tasks are designed to encourage you to explore and understand the subject more fully. The fact that we grade your work provides you an indication of how much you have achieved. Providing feedback on your work also serves as part of the learning process.
Assessment mechanism summary

<table>
<thead>
<tr>
<th>Item</th>
<th>Weight</th>
<th>Due date</th>
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<tbody>
<tr>
<td>Revision Test</td>
<td>10%</td>
<td>29th Mar</td>
</tr>
<tr>
<td>Case 1 (Group)</td>
<td>5%</td>
<td>5th Apr</td>
</tr>
<tr>
<td>Mid-Semester Exam</td>
<td>35%</td>
<td>19th Apr</td>
</tr>
<tr>
<td>Case 2 (Group)</td>
<td>10%</td>
<td>24th May</td>
</tr>
<tr>
<td>Final exam</td>
<td>40%</td>
<td>TBA</td>
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**Note 1:** Results may be subject to scaling and standardisation under faculty policy and are not necessarily the sum of the component parts.

**Note 2:** Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning outcomes as required for accreditation and audit purposes. The findings may be used to inform changes aimed at improving the quality of Business School programs. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the unit.

Assessment components

**Assessment 1: Revision Test (10%)**
A short quantitative test taken during this week’s seminar designed to give feedback on the student’s understanding to this point.

**Assessment 2: Case Study 1 (Group) (5%)**
Instructions on the format of the case study and the assessment criteria will be discussed in class.

**Assessment 3: Mid-Semester Examination (35%)**
This is a two hour and 10 minute examination. It will be based off all material covered during the first 6 weeks of the course. It will be held at the start time of the normal seminar for this week.

**Assessment 4: Case Study 2 (Group) (10%)**
Instructions on the format of the case study and the assessment criteria will be discussed in class.

**Assessment 5: Revision Test (40%)**
This is a two hour and 10 minute examination. It is based off all material covered from weeks 7 to 13 of the course.

Submission of assignments

Please remember to attach an Assignment Cover Sheet to the front of your assignment. You can download and print your Assignment Cover Sheet from the Current Students web page [http://www.business.uwa.edu.au/students/assessments](http://www.business.uwa.edu.au/students/assessments).

All assignments are to be handed in directly to the lecturer during the appropriate week’s seminar. Postgraduate assignments handed in during class should use the normal team cover sheet.

Student Guild

Phone: (+61 8) 6488 2295
Facsimile: (+61 8) 6488 1041
E-mail: enquiries@guild.uwa.edu.au
Website: [http://www.guild.uwa.edu.au](http://www.guild.uwa.edu.au)

Charter of Student Rights and Responsibilities

The Charter of Student Rights and Responsibilities outlines the fundamental rights and responsibilities of students who undertake their education at UWA ([refer http://handbooks.uwa.edu.au/undergraduate/poliproc/policies/StudentRights](http://handbooks.uwa.edu.au/undergraduate/poliproc/policies/StudentRights)).

Appeals against academic assessment

The University provides the opportunity for students to lodge an appeal against assessment results and/or progress status ([refer http://www.secretariat.uwa.edu.au/home/policies/appeals](http://www.secretariat.uwa.edu.au/home/policies/appeals)).