

INTER AMERICAN UNIVERSITY OF PUERTO RICO  
METROPOLITAN CAMPUS  
ADMINISTRATIVE AND ECONOMIC SCIENCES FACULTY

MBA PROGRAM

I GENERAL INFORMATION

Title	:	International Finance
Code	:	BADM 6200
Credits	:	3
Academic Term	:	
Professor	:	DR. FELIX CUE
Office's Hours	:	
Phone Office	:	
E-mail	:	

II DESCRIPTION

Study of the structure and functioning of foreign currency markets and of the factors that determine the exchange rates of currencies. Analysis of investment decision-making and the financing of companies and institutions from a global perspective.

III OBJECTIVES

It is expected that at the course's ending the student can:

1. Delineate and analyze the factors and variables that define the conceptual frame of a firm's decision-making process.
2. Discriminate and contrast the factors that determine the money valuation, the factors' interrelationship of the functioning of the principles types of money markets and the balanced and unbalanced approaches in the currencies' value determination.
3. Explain the basis for the investment decision process and the financing decisional process of a multinational corporation (MNC).
4. Explain and balance the foundations of the investment's decision-making and the financing of the multinational corporation's decision-making.

III CONTENTS:

A Introduction:  
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1. Characteristics and particular subjects in the International Finances
  - a. Decisional variables in the international finance.
  - b. Profile and characteristics of a multinational corporation (MNC).
  - c. Conceptual frame of the international finance.Chapter 1

## B International Monetary System and Foreign Exchange markets

1. Foreign exchange rates determination.
  - d. Determination of balance in the foreign exchange markets
  - e. Economic and nominal factors that influence the balance of balance of foreign exchange and its determination.
    - 1) Central banks intervention.
    - 2) Foreign exchange systems.
    - 3) Balance of Payments.Chapters 5, 3, 2 and 7
2. Money Exchange Markets
  - a. Options and Future Markets.
  - b. Parity conditions.
  - c. Fixed and Variables foreign exchange rates determination.Chapters 4, 7 and 8
3. Foreign Exchange Risk Determination
  - a. Transaction and Economic Exposures to the exchange risk.
  - b. Measuring and managing of the risk exposure.Chapters 10 and 11

## C. Financing of the Multinational Corporation (MNC).

1. Working Capital Management
  - a. Short-term financing.
  - b. Investment and Management in Current Assets.Chapters 10, 14 and 19.

## D. Foreign Investment Working.

1. International Financial Markets.
  - a. Sources and Uses of Corporate Funds.
  - b. National Capital Markets.
  - c. Developments Banks.

## Chapter 15

### 2. Cost of Capital for Foreign Investments

- a. Cost of Capital Models.
- b. Discount Rates for Foreign Investments.
- c. Worldwide Capital Structure.

## Chapter 14

## V EVALUATION:

The student will take three exams and will prepare a term paper about a foreign exchange rate vis-à-vis the U.S. dollar for two years and their impact on that country's balance of payments.

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|------------------------|--------------------------------|-----|
| A. First Partial Exam  | Chapters 1, 5, 3, 2 and 7..... | 25% |
| B. Second Partial Exam | “ 4, 7 and 8.....              | 25% |
| C. Final Exam          | “ 10 and 11.....               | 25% |
| D. Term Paper.....     |                                | 25% |

## VI SPECIAL NOTES

### 1) Supporting Services or Special Needs

Students requiring additional services or special assistance must request these at the beginning of the course or as soon as they learn that they need them, through the appropriate register in the Oficina del Consejero Profesional, located at the Programa de Orientación Universitaria.

### 2) Honesty, Fraud, and Plagiarism (General Student Regulation, Chapter V)

The lack of honesty, fraud, plagiarism and any other inadequate behavior in relation to academic work constitute major infractions sanctioned by General Student Regulations. Major infractions, according to General Regulation Students, may result in suspension from the University for a definite period of time greater than one year or the permanent expulsion from the University, among other sanctions.

### 3) Use of Electronic Devices

Cellular (mobile) telephones and any other electronic device that interrupt the teaching-learning process or disrupt a milieu favorable for academic excellence will be deactivated. Critical situations will be dealt with in an appropriate manner. The use of electronic devices that permit the accessing, storing or sending of data during tests or examinations is prohibited.

## VII EDUCATIONAL RESORCES

Text: Alan C. Shapiro, Multinational Financial Management, 9<sup>th</sup> ed. John Wiley and Sons, Inc. 2010..

### Supplementary Readings:

Francisco L. and Luis A. Rivera Batiz, *International Finance and Open Economy Macroeconomics*, 2<sup>nd</sup> ed. 1994, Prentice Hall, Inc.

*A Reader in International Corporate Finance*, Vols. One and Two, Edited by Stijn Claessens and Luc Laeuven, The World Bank 2006.  
Paul N. Doremus, et. al., *The Myth of the Global Corporation*, 1998, Princeton University Press.

Jeff Madura, *International Financial Management*, 8<sup>th</sup> ed. Thomson/South Western, 2006.

John D. Daniels, Lee H. Radebaugh and Daniel P. Sullivan, *International Business: Environments and Operations* 13<sup>th</sup> ed. Prentice-Hall, 2011.

Audiovisual resources: provided by the professor.

### Electronic Resources:

Web addresses at the end of every chapter.

## VIII BIBLIOGRAPHY

“Accounting of the Translation of Foreign Currency Transaction and Foreign Currency Financial Statements, Statements of Financial Accounting Standards 8”, Stamford, Conn., Financial Accounting Standard Board, Oct 1975, pp. 44-57.

Aliber, Robert A., and Clyde P. Stickney, “Accounting Measures of Foreign Exchange Exposure: The long and Short of It”., *The Accounting Review*, January 1975.

Bachetta, Philippe and Eric Van Wincoop, “A Scapegoat: Model of Exchange-Rate Fluctuations”, *The American Economic Review*, Vol 94, No. 2, may 2004.

“Briefing India’s economy, India on fire”, *The Economist*, February 3<sup>rd</sup>, 2007.

Chrystal, K. Alec, “A Guide to Foreign Exchange Markets”, *Federal Reserve Bank of St. Louis Review*, March 1984, pp. 5-18.

Coenen, Gunther and Volker W. Wieland, “Exchange-Rate Policy and the Zero Bound on Nominal Interest Rates”, *The American Economic Review*, Vol 94, No. 2, May 2004.

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Conway, Patrick, "The International Monetary Fund in a Time of Crisis: A Review of Stanley Fisher's IMF Essays from a Time of Crisis: The International Financial System, Stabilization and Development", *Journal of Economic Literature*, Vol. XLIV, No. 1, March 2006.

Cornell, Bradford, "Relative Price Changes and Deviations from Purchasing Power Parity", *Journal of Banking and Finance*, No. 3, 1979, pp. 263-279.

Eichengreen, Barry, "The Parallel-Currency Approach to Asian Monetary Integration", *The American Economic Review*, Vol. 96, No. 2, May 2006.

Domínguez, Kathryn, M. E. "The European Central Bank, the Euro, and Global Financial Markets", *The Journal of Economic Perspectives*, Fall 2006.

Friedman, Milton and Robert V. Roosa, "Free Versus Fixed Exchange Rates", *Journal of Portfolio Management*, Spring 1977, pp. 68-73.

Gailliot, Henry J., "Purchasing Power Parity as an Explanation of Long-Term Changes in Exchange Rates", *Journal of Money, Credit, and Banking*, August 1971, pp. 348-357.

Goldstein, Morris and Nicholas Lardy, "China's Exchange Policy Dilemma", *The American Economic Review*, Vol. 96, No. 2, May 2006.

Mann, Catherine L., "Is the U.S.' Current Account Deficit Sustainable?", *Finances & Development*, IMF, March 2000.

Mishling, Frederick S. , "Are Real Rates Equal Across Countries?, An International Investigation of Parity Conditions", *Journal of Finance*, December 1984, pp. 1345-1357.

Sneddon Little, Jane and Giovanni P. Oliver, "Rethinking the International Monetary System: An Overview", *New England Economic Review*, Federal Reserve Bank of Boston, Nov-Dec 1999, pp. 4-24.

Stockman, Alan C., "The Equilibrium Approach to Exchange Rates", *Economic Review*, Federal Reserve Bank of Richmond, March-April 1987, pp-12-30.

"The Global Recession is Ending", *World Economic Outlook*, Sustaining the Recovery, International Monetary Fund (IMF), Oct 2009.

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