2012

FINC 476-01-02 International Finance

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Recommended Citation
Kruse, Tim, "FINC 476-01-02 International Finance" (2012). Finance Syllabi Fall 2012. 16.
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Instructor: Tim Kruse  
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Class Meets:  
Section 01: MW, 1:00-2:15pm, Smith 249  
Section 02: MW, 2:30-3:45pm, Smith 249

Mission of the Williams College of Business: We educate students of business, enabling them to improve organizations and society, consistent with the Jesuit tradition.

Philosophy: As globalization grows and spreads, events throughout the world have an increasing impact on our daily lives. The goal of this class is to use the tools of international finance to examine how market fluctuations and policy decisions made throughout the world affect exchange rates, domestic markets, and corporate decisions. Overall, the course is divided into two parts. First, we will cover some big picture issues. Given the ongoing global financial crisis, this context is more important than ever. Then we will look at some specifics such as international investing and dealing with exchange rate risk.

The Williams College of Business has chosen to emphasize the following learning goals in its undergraduate business curriculum.

1. **Critical Thinking:** WCB graduates will be able to think logically, reason quantitatively, and utilize appropriate analytical techniques and technology when evaluating and making decisions.
2. **Ethics and Social Responsibility:** WCB graduates will be able to recognize ethical issues, discern moral implications of decision making, and be prepared, and willing, to serve as responsible and professional members of society.
3. **Effective Written and Oral Communication:** WCB graduates will be able to organize, support and communicate ideas clearly and effectively, employ multiple mediums of communication (e.g., written, oral and visual), and adapt communication to audience, context or purpose.
4. **Global Perspective and Cultural Diversity:** WCB graduates will appreciate the historical and cultural contexts of the world in which they live, demonstrate the competencies required for engaging in global business activities, and respect and value diverse peoples and perspectives.
5. **Understanding and Application of Knowledge Across Business Disciplines:** WCB graduates will be able to evaluate business from an integrative and holistic point of view, leverage the synergies between functional business areas, and demonstrate college-level mastery of their chosen discipline.
6. **Personal and Professional Development:** WCB graduates will be well-prepared for their future careers and appreciate the importance of continuous professional development and life-long learning.

I expect students will also be aware of the top finance stories of the day. Bloomberg (www.bloomberg.com) and Yahoo! Finance (finance.yahoo.com) are two of many free sites with good finance news coverage. WSJ.com also has some free content, particularly market data.

Classes: Each class will be a mix of lecture/presentation, discussion, and group problem solving. You are encouraged to participate through questions and comments. Bring your calculator to each class meeting to ensure active learning.

Attendance is not mandatory, however, it is strongly recommended. While I do provide PowerPoint slides, there will be “holes” in them. Students are responsible for all in-class announcements (which will be in the first few minutes of class) and schedule changes. Also, we will begin most classes with a short discussion of issues raised in the news.

Some of the topics covered in this course deals with the gray areas of financial management/policy making. Ideally, class discussions will lead us to “good answers” in place of “right answers”. PLEASE ASK QUESTIONS. If no one is asking questions, I can only assume that everyone understands the material. Thus, participation and preparation are critical.

Personal technology: Generally, please keep classroom disturbances to a minimum. In particular, texting/playing games/Facebook during class is becoming a real problem. I reserve the right to adjust your grade as I see fit for repeated tardiness or disturbances. In addition, please turn off all cell phones and pagers before you come into class. I am happy to make exceptions for emergency situations; just apprise me of the situation before class begins.

It is the student’s responsibility to obtain a usable calculator before the first exam – no cell phones/ipods, etc. are allowed during exams NOR may they be visible in any way.

Blackboard: All course supplementary materials will be available on Blackboard. It is your responsibility to check announcements on Blackboard regularly – I will assume that everyone has access to Blackboard and either checks their campus e-mail regularly or forwards the e-mail to another account.

Xavier University policies regarding privacy rights, incomplete work and attendance, and academic honesty will be strictly enforced. If an incident of academic dishonesty occurs, the most severe disciplinary action will be taken. Please see the current University catalog.

Homework: There will be 3 homework assignments over the course of the semester. They will be distributed one week before they are due. I strongly recommended you work the assignments carefully as the exam problems will reflect those in the assignments. All assignments should be completed in groups of two to four. I encourage students having difficulty with the problems to see me. All assignments are due at the start of class. I will provide solutions on the date they are due. Therefore, NO late assignments will be accepted under any circumstances.

Articles: Each student will bring in and discuss two articles dealing with some aspect of international finance over the course of the semester. Please provide me a copy of the article before class.
**Students with disabilities:** Students with disabilities who need special arrangements in classes and exams must inform the instructor as soon as possible but no later than the week before the first midterm.

**Grading:** I will provide theoretical grade distributions following the first two exams.

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<thead>
<tr>
<th>Component</th>
<th>Points</th>
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</thead>
<tbody>
<tr>
<td>Exams (3 at 100 points each)</td>
<td>300</td>
</tr>
<tr>
<td>Article discussion</td>
<td>50</td>
</tr>
<tr>
<td>Homework (3 at 25 points each)</td>
<td>75</td>
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<tr>
<td>Total</td>
<td>425</td>
</tr>
<tr>
<td>Adjustment for texting in class</td>
<td>up to negative 40 points</td>
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**Exams:** Exams most likely will be a mixture of short essay questions, True/False questions, and problems. Partial credit is given on exams and all work must be shown on the problems.

**Questions Regarding Grading:** Any questions regarding grading of assignments or exams must be addressed within one week of return of the graded assignment or exam to the student.

**Make-Up Exams:** All exams must be taken on the date specified in the course calendar unless approval of a make-up exam is granted PRIOR to that date by the instructor. Without prior approval, make-up opportunities are limited to documented emergencies. The instructor discretion is used in determining whether a situation constitutes an emergency. The sooner you contact me about any problems, the better your chances of working something out. It will be the student’s responsibility to schedule a time for a makeup exam before the next class meets – no exceptions.

**Extra credit:** To ensure fairness, no individual extra credit work is available.

**Important Dates**
- September 3 (Monday) – Labor Day – no class
- September 19 (Wednesday) – homework #1 due
- September 24 (Monday) – test #1
- October 24 (Wednesday) – homework #2 due
- October 29 (Monday) – test #2
- November 21 (Wednesday) – Thanksgiving break – no class
- December 5 (Wednesday) – homework 3 due
- Finals week – test #3

**Topic List (subject to change, probably optimistic)**
1. A look at Japan (notes)
2. International monetary system and methods of affecting exchange rates (drawn partially from Chapter 2)
3. Overview of the Euro and the ongoing Eurozone crisis
4. Balance of payments (Chapter 3)
5. Foreign exchange markets (Chapter 5)
6. Parity conditions and forecasting exchange rates (Chapter 6)
7. Currency futures and options (Chapter 7)
8. Exposure – (Chapters 8 & 9)
9. International investing (Chapters 12, 13, & 15)
10. Swaps (Chapter 14)
11. Political risk and Foreign direct investment (Chapter 16 and possibly chapter 4)

Some good books for outside reading

Michael Lewis:
   * Liar’s Poker
   * The Big Short

Andrew Ross Sorkin: *Too Big To Fail*

Roger Lowenstein
   * Buffett: The Making of an American Capitalist*
   * When Genertus Failed: The Rise and Fall of Long-Term Capital Management*

Edward Chancellor: *Devil Take the Hindmost: A History of Financial Speculation*

Adam Fergusson: *When Money dies: The Nightmare of Deficit Spending, Devaluation, and Hyperinflation in Weimar Germany*

Gillian Tett: *Saving the Sun: A Wall Street Gamble to Rescue Japan from Its Trillion-Dollar Meltdown*

Ben Mezrich
   * Ugly Americans: The True Story of the Ivy League Cowboys Who Raided the Asian Markets for Millions*
   * Bringing Down the House*

Rachel DeWoskin: *Foreign Babes in Beijing*

Andy Kessler
   * Running Money: Hedge Fund Honchos, Monster Markets and My Hunt for the Big Score Wall Street Meat*

Gleeson, Janet: *Millionaire: The Philanderer, Gambler, and Duelist Who Invented Modern Finance*

Carmen Reinhart and Kenneth Rogoff: *This Time is Different: Eight Centuries of Finance Folly*: