Office Hours: Monday and Wednesday 5:00 – 6:00 pm.
   And by appointment

Course Objective

The primary objective of the course is to become acquainted with the problems, techniques, and policies of financial decision making in a multinational enterprise. Decision making in an international environments requires an understanding of foreign exchange markets, what makes currencies fluctuate, and how to measure and manage the exposure of a firm’s value to such currency fluctuations. The first part of the course concentrates on the operation, mechanics, and structure of the international financial system, emphasizing its private and public institutions, foreign exchange markets, capital flows, speculation, and analysis of alternative foreign investments. The second part concentrates on the financial planning for multinational corporations, analysis of sources and uses of corporate funds abroad.

Reading Assignments


Reference and outside reading

Rudiger Dornbusch, Open Economy Macroeconomics, Basic Books.


Bruno Solnik, International Investments, Addison-Wesley.

Joel M. Stern and Donald H. Chew, eds. New Developments in International Finance, Basil Blackwell. 

Gunter Dufey and Ian Giddy, The International Money Market, Prentice-Hall.

Daily reading of the Financial Times is strongly recommended. You are also encouraged to read the Wall Street Journal, and the weekly newsmagazine the Economist.

**Grading**

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
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<tr>
<td>Assignments</td>
<td>20%</td>
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<tr>
<td>Exam I</td>
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<td>Exam II</td>
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<td>Final Exam</td>
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<td>Case Analysis &amp; Class Participation</td>
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**Course Outline**

**Week One & Two (May 21-30)**

I. **Introduction:**

1. The nature and scope of international financial management.

   AS Ch. 1

2. International Trade (Notes will be put on reserve)

II. **International Financial Environment:**

1. International Monetary Arrangements
   AS Ch. 3
   -Rivera-Batiz Ch. 9

2. Balance of Payments and Exchange-Rate Determination
   AS Ch. 2 & 5
   -Rivera-Batiz, Ch. 13

**Assignment 1**

**Exam I**
III. The Foreign Exchange Markets

AS Ch. 7
-Rivera-Batiz, Ch. 1 & 8
-Solnik, Ch. 1

Assignment 2

Weeks Three & Four: (June 4 - 13)

1. Currency Futures and Options Markets

AS Ch. 8 & 9
Solnik Ch. 12 & 13

2. International Parity Conditions and Forecasting Foreign Exchange Rate

AS Ch. 4
-Rivera-Batiz Ch. 4
-Solnik, Ch. 2


Assignment 3

Exam II

Weeks: Five and Six (June 18 - 27)

III. Foreign Exchange Risk Management:

1. Foreign Exchange Risk and Exposure:
   a. Accounting Exposure
      AS Ch. 10
   b. Economic and Transaction Exposure
      AS Ch. 11

*Cases:
-Rolls Royce Australia: The Uncovered Transaction.
-Imperial Power Corporation

Cases 1 & 2

-Solnik Ch. 14
IV. International Financial Markets & Foreign Investment:

1. The Euromarkets  
   AS Ch. 13
2. The Cost of Capital and Strategy  
   AS Ch. 14  
   *Problem Set # 6  
   -Solnik Ch. 16, 17
3. International Portfolio Investment  
   AS Ch. 15  
   -Solnik Ch. 6, 7, 9 & 10  
   -Rivera-Batiz Ch. 8
4. Foreign Direct Investment & Capital Budgeting  
   AS Ch. 16  
5. Political Risk and Strategy:  
   AS Ch. 6  

VI. Evaluation and Control of Foreign Operations:

1. Performance Evaluation and Control  

Final Exam
METROPOLITAN COLLEGE
Statement on Communication Skills
For use by faculty in their syllabi.

June 18, 2003

Communication Skills required of Metropolitan College Students

Metropolitan College students, in addition to achieving mastery of subject matter and professional terminology, must be proficient in written and spoken English in order to achieve success in their academic studies and professional careers. Please be advised that papers and oral presentations that do not meet the high normative standards of university education will be downgraded or returned for revision.

Help is available at every stage of the writing process and with oral communication and presentations. Please ask your instructor, academic advisor or check the MET website www.bu.edu/met/students. Also, please also see the Student Code of Conduct www.bu.edu/met/students/conduct_code.html