

Module no.	Seminar		
Title	International Finance		
Applicability	For all majors: Advanced communication skills and personality competencies for all business majors.		
Module type	Elective		
Teaching form	Seminar	Frequency of supply	Blocked week II 6.2.23 – 11.2.23
Teaching language	English		
Semester	4		
SWS	4		
ECTS credits	5	Workload	50/40/40/20
Corresponding	Basic Studies	Recommended previous knowledge	Basic Studies
Exam	ModA	Permitted aids	all
Lecturer	Prof. Dr. Rita Biswas		
Subject responsibility	Prof. Dr. Hammer		

Learning Goals:

Knowledge: (i) explain the characteristics and functioning of a multinational business enterprise and the foreign exposure risks it faces, (ii) apply appropriate techniques and tools to manage those risks, (iii) evaluate the various investment alternatives available with a specific capital budget, including valuing cross-border cash flows arising from projects and acquisitions of firms (iv) identify and analyze factors related to various financing alternatives as applicable to determining the cost of capital (v) manage the tax implications of conducting business in a global environment (vi) understand the differences in corporate governance issues around the globe.

Skills: (i) assimilate and apply the techniques learned through the theory and solve problems faced by real firms in the past, through case studies (ii) work in teams and demonstrate appropriate leader/follower behaviour (iii) address a mid-sized group, present and defend a case analysis (iv) write a brief report summarizing the key issues of the case study and make justifiable recommendations. Develop cross-cultural business communication skills through participation in a simulation game with multicultural team members working on a structured task.

Competence: demonstrate mastery of both the knowledge-objectives and skills-set objectives of this course through live cases analyses and presentations and defending critique.

Contents:

The objective of this course is to equip students with the tools necessary to manage corporations in a global business environment. It is a blend of theory and applications – the theory of multinational business finance is presented through lectures while applications are learned by the students through Harvard Business School cases analyzed and discussed in class and also analyzed by students outside class and presented in class. The success of a multinational company continues to depend on its managers' ability to recognize and benefit from imperfections in the various markets for the factors of production, financial assets and final products. As

such, the theory of this course is designed to present an understanding of exchange rate fluctuations – its sources, its implications, the risks it might present for the business enterprise and the profit opportunities that might also be presented. Valuing a firm’s cross-border cash flows is an integral part of the course. The cases solidify the theory by presenting the managerial perspective.

Specific topics include the identification, measurement and management of transactions exposure, translation exposure, economic exposure, political and country risk. The global cost of capital and global capital budgeting is presented in details along with global working capital management. . Finally, the course concludes with examining global corporate governance, the international tax environment, transfer pricing and valuing cross-border cash flows in the context of international acquisitions.

<p>Module Overview:</p>	<ol style="list-style-type: none"> 1. Measuring and managing international exposure for an MNC <ol style="list-style-type: none"> 1.1. Translation (accounting) exposure 1.2. Economic (operating) exposure 1.3. Political risk exposure 2. Financing the global firm <ol style="list-style-type: none"> 2.1. The global cost of capital 2.2. Sourcing equity globally 2.3. Sourcing debt globally 3. Foreign investment decisions <ol style="list-style-type: none"> 3.1. Corporate strategy and foreign investment 3.2. Capacity hedging and real options 3.3. Principles of multinational tax arbitrage 4. Multinational capital budgeting & valuation <ol style="list-style-type: none"> 4.1. Principles of cross-border valuation of projects 4.2. Cross-border valuation of firms 4.3. Cross-border valuation of mergers & acquisitions 5. World Corporate Governance <ol style="list-style-type: none"> 5.1. Corporate Governance in the U.S. 5.2. Corporate Governance in Germany 5.3. Corporate Governance in China
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Features:

<p>Forms of teaching, methods and support:</p>	<p>Interactive lectures, case discussions and case presentations; simulation game</p> <p>This is designed to be a fast-paced, intense course for students, engaged inside and outside the classroom. A tried and tested formula for success in this course is for students to come <i>fully prepared</i> for each day’s material, whether it be the relevant chapters and/or case studies. Lecture presentation slides and case studies will be posted online ahead of the module and the approach will be a combination of traditional lectures, a “flipped classroom” and interactive case discussions. Different case studies will be assigned to different groups at the end of the second day of class. For the in-class case studies, broad, acceptable outcomes to the issues faced by the firms will be discussed in class; precise solutions do not exist and will not be provided. Students should be prepared to spend class time on team-based activities along with lectures.</p> <p>Final note - Expectations: This is not a course with traditional structured lecture and in-class "seat-time" as we say. This is a "flipped" classroom with a lot of reading and preparation <i>outside</i> the classroom and a lot of team-based learning activities in the classroom. Further, students should not expect structured, precise solutions to case studies – these are often case studies with open-ended issues, with a wide range of acceptable solutions.</p>
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Literature:

- *International Financial Management*,
 - EUN, Cheol S., Bruce G. RESNICK and Tuugi CHULUUN, Ninth Edition, 2021 McGraw-Hill Irwin, Boston, MA. ISBN10: 1260013871, ISBN13: 9781260013870, OR
 - You may use an older edition of this text: Eun and Resnick: 2018, McGraw-Hill Irwin, Boston, MA. ISBN10: 1259994058 | ISBN13: 9781259994050, OR
- *International Financial Management*. Bekaert, Geert, and Robert Hodrick, Third Edition, 2017, Cambridge University Press, New York, NY. ISBN: 978-1-107-11182-0. This text is strongly recommended for students wishing to pursue graduate studies.
- *The Financial Times*
- *Harvard Business School Publishing*: Readings, Cases and Simulation Game-related materials posted in the coursepack at the Harvard Business School Publishing at <https://hbsp.harvard.edu/>
- *Notes posted on the department's Learning Management System*