

## 27350 - International Financial Management

### Información del Plan Docente

<b>Academic Year</b>	2018/19
<b>Subject</b>	27350 - International Financial Management
<b>Faculty / School</b>	109 - Facultad de Economía y Empresa
<b>Degree</b>	448 - Degree in Business Administration and Management
<b>ECTS</b>	6.0
<b>Year</b>	4
<b>Semester</b>	Half-yearly
<b>Subject Type</b>	Optional
<b>Module</b>	---

### 1.General information

#### 1.1.Aims of the course

Globalization of the financial environment is essential to the understanding of financial markets (foreign exchange, debt, equity and derivatives) in all respects. Currently, financial markets operate internationally 24 hours a day, every day of the week. Transactions can be made almost continuously. Therefore, to improve the decision-making process about funding and investment strategies, it is necessary to know both the operational procedures of the international financial environment and the opportunities it offers.

The main goal of this subject is, therefore, to provide the necessary knowledge to carry out international financial operations, both in financial markets and in the area of corporate finance. This requires an understanding of market operations, of how participating agents work and of the most important products in international financial markets, as well as the basic elements of international trade and direct investment analysis.

#### 1.2.Context and importance of this course in the degree

International Financial Management belongs to the field of Finance and it is one of the optional subjects of the Business Administration degree and the double degree in Law and Business Administration. Specifically, it is taught in the second semester of the 4th and 5th year respectively, when students have some preparation in the valuation of financial operations, financial management and risk management. The course complements the contents of other subjects such as Financial Markets, Treasury Management and International Financial Information.

The main contribution of the course is the international dimension of its content. The globalization of economic activity has made it important to know about international markets, operational and investment opportunities and international funding products in order to contribute to a more efficient and effective firm management.

#### 1.3.Recommendations to take this course

There are no prerequisites for taking this course except those necessary for enrolling in the degree. However, in order to obtain the maximum benefit from the course, students are recommended to have acquired the appropriate skills in previous subjects such as Analysis and Valuation of Financial Operations, Financial Management and Financial Risk Management.

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International Financial Management has a very practical approach. Attendance to class and continuous work by the student are highly recommended, as is the resolution of the practical questions proposed by the teacher.

Basic material for the course is available in the digital teaching platform of the University of Zaragoza (<https://moodle2.unizar.es/add/>)

### 2. Learning goals

#### 2.1. Competences

##### Specific skills

1. To direct, manage and administrate companies and organizations.
2. To know how all the functional areas of a business or organization, and carry out with ease any management function.
3. To assess the situation and the future prospects of companies and organizations in order to take decisions.
4. To draft and develop global management projects for companies and organizations.
5. To issue advisory reports on specific situations about markets, sectors, organizations, businesses and their functional areas.
6. To understand and apply professional standards and scientific rigour to the resolution of economic, business and organizational problems.

##### Transversal skills

1. Capability to solve problems
2. Capacity for analysis and synthesis
3. Organizational skills and planning
4. Ability to analyze and seek information from different sources
5. Capacity to make decisions
6. To use the analytical and technological tools necessary
7. Communicate orally and in writing correctly, emphasizing argumentation
8. Capacity for teamwork
9. Capacity for adapting to new situations
10. Ability to apply knowledge in practice

#### 2.2. Learning goals

1. To handle exchange rates confidently: to know and to understand currency markets, both spot and forward markets, their vocabulary, usual operations, pricing mechanisms and the detection of arbitrage opportunities.
2. To know and understand the functioning of the international credit market and international debt issues, in the short and in the long term, under the public and private debt perspectives.
3. To choose the appropriate funding strategy in international markets: to select the right instrument and its terms and conditions, as well as to assess its advantages and disadvantages.
4. To know and to understand the functioning of the major international stock markets and the fundamental elements of international portfolio management.
5. To clearly identify and define different types of international financial risks and risk positions.

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6. To propose different alternatives to manage international financial risks and quantify the results of using different financial instruments as well as to describe their limitations.
7. To know the most important derivatives markets and instruments, their main characteristics, operating procedures and pricing procedures.
8. To evaluate the most common hedging instruments in the international context: futures, options and swaps.
9. To understand foreign trade operations.
10. To know and understand the differences between the analysis of local or domestic investment and direct foreign investment in order to apply the most common assessment tools and methodologies appropriately.

### 2.3.Importance of learning goals

The internationalization of business and financial operations is currently one of the most important strategic factors for economic development: international trade has been the driving force in many economies such as Spanish during last (= in recent) years; financing mechanisms are more cost-competitive in international markets; risk diversification is more successful in the global arena and investments in an international environment show a much wider range of possibilities.

The learning outcomes of this course are important because they professionalize decision making and rigorously operate in a much broader, diversified and competitive environment than the domestic one.

Likewise, because risk is inherent in business development, the complexity of the business environment and financial markets must be taken into account and it is essential not only to control the positions taken by the company, but also to be adaptable to change and have analytical skills for a larger number of alternatives.

The learning outcomes of this course are an important added value to the knowledge already acquired by the student. The international dimension is, at present, virtually indispensable for any decision maker closely linked to business.

### 3.Assessment (1st and 2nd call)

#### 3.1.Assessment tasks (description of tasks, marking system and assessment criteria)

The student will prove that he/she has achieved the expected learning results by means of the following assessment tasks:

**FIRST SITTING.** Two evaluation systems are available: continuous assessment and global assessment:

a) Continuous assessment. The student must take two individual written exams. The first one will take place in April and the second one in May in the last week of classes. Both tests will include theoretical-practical questions and practical cases. The theoretical-practical questions may be open questions or test-type. The practical cases will be in line with the practical exercises proposed in class during the course. The content included in each of these exams will be properly notified in class and on the digital teaching platform (ADD).

The final mark will be calculated using the following weights for each component of the assessment:

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- First written exam: 50%
- Second written exam: 50%

In order to pass the course via continuous assessment, it will be necessary to obtain an overall mark of at least 5 out of 10. A minimum score in each of the written exams is not required.

b) Global assessment. The student who does not choose the continuous assessment system, does not pass the subject in the continuous assessment system, or wants to improve his/her mark, will be entitled to sit the global exam, the best of the two marks prevailing in all cases.

In this system, the student has to sit a final written exam which will account for 100 % of his/her mark. The exam will consist of a theoretical-practical part and another of practical cases. The theoretical-practical questions may be open questions or test-type. The practical cases will be in line with the practical exercises proposed in class during the course. To pass the exam, it will be necessary to obtain an overall mark of at least 5 out of 10.

The exam will be held within the context and organization of the official calendar of exams fixed by the Faculty.

**SECOND SITTING.** The assessment will be carried out through a global exam with the same standards established for the global exam of the first sitting. The exam will consist of a theoretical-practical part and another of practical cases. The theoretical-practical questions may be open questions or test-type. The practical cases will be in line with the practical exercises proposed in class during the course. To pass the course, the student will have to obtain at least 5 points out of 10.

### Valuation criteria

For all exams, the total score from theoretical-practical questions will not be more than 4 points out of 10. The rest of the score will be distributed among different exercises.

The total number of issues/questions and exercises in each of the written exams will be at least 6, and the time limit is 90 minutes.

## 4. Methodology, learning tasks, syllabus and resources

### 4.1. Methodological overview

The International Financial Management course comprises 6 ECTS with 60 class hours of theoretical and practical sessions.

Given the operational nature of the course, both theoretical and practical sessions will be illustrated with actual examples, news related to the topics of the course or debates on these issues. The classes are intended to be participatory.

The practical classes consist of practical cases proposed by the teacher, to be jointly worked on by the students and the teacher and finally resolved by the teacher.

### 4.2. Learning tasks

The programme offered to the students to help them achieve the expected learning results includes the following activities:

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- Participatory lectures- 30 hours
- Problem-solving sessions- 30 hours
- Office hours and tutorials and personal work - 90 hours
- 150 hours = 6 ECTS

**1** Participatory lectures. In these sessions the lecturer presents and explains the basic concepts of the lessons, including some examples, cases or news which may be related to the current topic. In these sessions, student participation will be encouraged to discuss the most important concepts analyzed in each session.

**2** Problem-solving sessions. Students will have sessions for solving the exercises and cases proposed by the teacher.

**3** Office hours and tutorials: Students will have office hours available for consultation about both theoretical and practical issues related to the subject.

**4** The use of Moodle2 (<https://moodle2.unizar.es>). This application is used to provide students with information, handouts and notes containing the basic contents of the subject.

**5** Exams: The procedure is described in the section "Assessment tasks".

### 4.3.Syllabus

LESSON 1 Introduction: International economic transactions.

The goal is to know the reasons for the importance and the interest of international financial management and to characterize the current global economic and financial situation in order to see how everyday reality reflects the knowledge acquired throughout the course.

#### PART I. CURRENCY MARKETS

LESSON 2 Currency markets and determination of foreign exchange

The basics of currency markets will be studied: definition and functions of FOREX market and forward market, their characteristics and magnitudes, participants, basic terminology, factors that influence exchange rate and international parity relationships.

Particularly, related to the FOREX spot market, double spot quotes, cross rates, operational procedures, trading systems, financial leverage and the FOREX ethical code are studied.

With respect to the forward market, we deal with the different types of forward quotes, how to determine the corresponding value date, the relationship between the spot rate and the forward rate, forward contracts, and the covered interest arbitrage calculations.

Practical classes will begin at the end of this lesson and continue for the rest of the course.

#### PART II. FINANCING IN INTERNATIONAL CAPITAL MARKETS

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LESSON 3 International credit markets

LESSON 4 International bond markets

LESSON 5 Foreign stock markets: diversification/anticipation strategies

These lessons deal with the characteristics, volume, trading and operational procedures in credit markets, bond markets and stock markets.

In the money market, special attention is paid to the functioning of the international monetary market, international credits, multicurrency loans and other repurchase agreements, as well as to their assessment and cost calculation.

Lesson 4 deals with the bond and obligation market, but also includes other debt issues such as eurocommercial paper, euronotes, and the description of the actors involved, operational procedures and valuation.

The study of international stock exchanges (lesson 5) comprises on the one hand, the characteristics and performance of the main international stock markets, magnitudes, structure and organization and on the other hand, the management criteria for international portfolio selection, its basic principles, international models of portfolio theory and asset allocation, systematic and specific risks, diversification strategies and anticipation. Limits on international ownership, ADRs and GDRs are also analyzed.

### PART III. INTERNATIONAL RISK MANAGEMENT

LESSON 6 International risk management: exposure type and control strategies.

LESSON 7 Financial futures and options: pricing and hedging strategies

LESSON 8 Interest rate swaps: mechanisms, risk and valuation

LESSON 9 Currency swaps: mechanisms, risk and valuation

LESSON 10 Financial engineering applied to hedging of interest rates and exchange rates

The purpose of lesson 6 is to present the main risks of international economic activity. Lesson 7 focuses on the main futures and options contracts internationally traded. Interest rates futures, currency futures, and Interest rates options and currency options, as well as operational procedures, valuation and the most common strategies are described.

Regarding interest swaps and currency swaps, their usefulness, operations, evaluation and cancellation payments will be explained.

Other hedging possibilities using other derivative instruments, usually designed with the aim of reducing the cost of hedging, are examined in lesson 10. Double-quote FRA contracts, their settlement and valuation and other compound instruments such as collars, corridors or cylinders are examined, complementing the contents learned in other subjects. Finally, the basics of the PIRA, Asian options, lookback options and barrier options are presented, emphasizing their

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usefulness as hedging instruments.

### PART IV. FOREIGN DIRECT INVESTMENTS AND FOREIGN TRADE

LESSON 11 Assessment of foreign direct investments

LESSON 12 Foreign trade techniques

Lesson 11 focuses on foreign direct investments, emphasizing the modifications required by the Net Present Value criterion in order to consider differential and specific aspects of investment projects in the international environment. The influence of exchange rate, funding alternatives and the most common tax issues are studied.

The aim of lesson 12 is to study how to solve the main issues related to international trade: funding and payment procedures, how to determine where the responsibility of the exporter finishes and the responsibility of the importer begins (Incoterms), and documents and certificates that are usually required.

### 4.4.Course planning and calendar

The calendar of classes will be announced on the website of the Faculty([fecem.unizar.es](http://fecem.unizar.es)).

The dates of the intermediate exams will be announced on Moodle (ADD) and the dates of final exams are provided in the faculty web site.

Activities and key dates will be communicated through the appropriate means at the beginning of the academic year or through the digital teaching platform during the course.

The dates of the final exams are provided in the Faculty web site.

### 4.5.Bibliography and recommended resources