

## 27350 - International Financial Management

### Syllabus Information

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**Academic Year:** 2020/21

**Subject:** 27350 - International Financial Management

**Faculty / School:** 109 - Facultad de Economía y Empresa

**Degree:** 448 - Degree in Business Administration and Management

**ECTS:** 6.0

**Year:** 4

**Semester:** 448 - Second semester

454 - Second semester

458 - Second semester

**Subject Type:** Optional

**Module:** ---

## 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.

These approaches and objectives are aligned with the Sustainable Development Goals (SDGs) of the 2030 agenda and certain specific goals (<https://www.un.org/sustainabledevelopment/en/>), contributing to some extent to their achievement:

Goal 4: Quality education,

Target 4.3: By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.

Target 4.4: By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship

Goal 8: Promote inclusive and sustainable economic growth, employment and decent work for all,

Target 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.

Target 8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

Target 8.10: Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

### 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.

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.
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:

- 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 70-90 minutes.

These tests are expected to be carried out in person, but if the health circumstances require it, they will be carried out semi-face-to-face or online. In the case of online assessment, it is important to highlight that, in any test, the student may be recorded, being able to exercise their rights by the procedure indicated in:

[https://protecciondatos.unizar.es/sites/protecciondatos.unizar.es/files/users/lopd/gdocencia\\_reducida.pdf](https://protecciondatos.unizar.es/sites/protecciondatos.unizar.es/files/users/lopd/gdocencia_reducida.pdf) ?

The necessary software will be used to check the originality of the activities carried out. The detection of plagiarism or cheating in an activity will imply the rating of 0 points in it.

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

#### 4.1. Methodological overview

The methodology followed in this course is oriented towards the achievement of the learning objectives. A wide range of teaching and learning tasks are implemented, such as lectures, problem-solving sessions and tutorials.

#### 4.2. Learning tasks

This course is organized as follows:

- **Lectures** (30 hours). 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.

- **Practice sessions** (30 hours). Problem-solving sessions in which students will solve the exercises and cases proposed by the teacher.
- **Autonomous work and study / tutorials** (90 hours). Students will have office hours available for consultation about both theoretical and practical issues related to the subject.
- **Exams.**

The teaching methodology is planned to pivot around face-to-face classes. However, if necessary for health reasons, face-to-face classes may be taught semi-face-to-face or online.

### 4.3.Syllabus

This course will address the following topics:

- **Topic 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.

#### SECTION I. CURRENCY MARKETS

- **Topic 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.

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

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

- **Topic 3. International credit 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.

- **Topic 4. International bond markets.**

Topic 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.

- **Topic 5. Foreign stock markets: diversification/anticipation strategies.**

The study of international stock exchanges 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.

#### SECTION III. INTERNATIONAL RISK MANAGEMENT

- **Topic 6. International risk management: exposure type and control strategies.**

The purpose of topic 6 is to present the main risks of international economic activity.

- **Topic 7. Financial futures and options: pricing and hedging strategies.**

Topic 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.

- **Topic 8. Interest rate swaps: mechanisms, risk and valuation.**

- **Topic 9. Currency swaps: mechanisms, risk and valuation.**

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

- **Topic 10. Financial engineering applied to hedging of interest rates and exchange rates.**

Other hedging possibilities using other derivative instruments, usually designed with the aim of reducing

the cost of hedging, are examined in topic 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 usefulness as hedging instruments.

#### **SECTION IV. FOREIGN DIRECT INVESTMENTS AND FOREIGN TRADE**

- **Topic 11. Assessment of foreign direct investments.**

Topic 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.

- **Topic 12. Foreign trade techniques.**

The aim of topic 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**

Practice sessions will start at the end of topic 2 and will continue for the rest of the course.

Further information concerning the timetable, classroom, office hours, assessment dates and other details regarding this course, will be provided on the first day of class or please refer to the Moodle website (<https://moddle2.unizar.es>); Academic calendar website (<https://academico.unizar.es/calendario-academico/calendario>); or the website of your corresponding faculty (Zaragoza: <https://econz.unizar.es/>, Huesca: <http://fegp.unizar.es/>, Teruel: <http://fcsch.unizar.es/>).

#### **4.5.Bibliography and recommended resources**