PEPPERDINE UNIVERSITY
THE GEORGE L. GRAZIADIO
SCHOOL OF BUSINESS AND MANAGEMENT

Sam Hakim, Ph.D.

MBA 627

INTERNATIONAL FINANCE

Spring 2005

TUESDAYS

6:00 P.M. - 10 P.M.

Malibu

SYLLABUS
Introduction & Objectives: Welcome to MBA 627! Generally speaking, a course in graduate level international finance has two possible poles. On one extreme, the course could cover issues in international corporate banking. On the other extreme, the course could address issues in theoretical open economy macroeconomics. This course lies somewhere in between these two possibilities. In particular, we will address issues in empirical international finance. The course begins under the assumption that the student is not familiar with the world of international finance (although it is assumed that the student has been exposed to financial management, macroeconomics and elementary econometrics). By the end of the course, the successful student would:

1. master an understanding of the exchange rate market and assess its global importance
2. gain a general understanding of how modern empirical theories are applied in managing firms exposed to foreign currency fluctuations
3. gain insight into the areas of empirical and theoretical international finance.
4. acquire the tools to implement hedging and risk management techniques in the foreign exchange market.

Textbook:
International Financial Management
by Cheol S. Eun, Bruce G. Resnick
Publisher: McGraw-Hill/Irwin; 3 edition (June 19, 2003)
ISBN: 0072521279

Instructional Methods
The course will consist of lectures, class discussions, case studies, examinations. The class lectures will aid in analyzing the salient issues present in the text but will focus on real world examples of what is covered in the text. The lectures are not meant to replace the reading assignments. Students are cautioned not to rely solely on the class lectures for the chapter tests.

Grading

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<thead>
<tr>
<th>Activity</th>
<th>Weight</th>
<th>Points</th>
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<tbody>
<tr>
<td>Term Paper (2 x 200 pts each)</td>
<td>30%</td>
<td>300</td>
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<tr>
<td>Midterm</td>
<td>30%</td>
<td>300</td>
</tr>
<tr>
<td>Attendance &amp; Participation</td>
<td>10%</td>
<td>100</td>
</tr>
<tr>
<td>Final Examination</td>
<td>30%</td>
<td>300</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>1000</td>
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Midterm:
These midterm will consist of multiple choices, and problems on the prior weeks assigned reading and homework.

Final Exam:
The final will be in-class similar to the midterm and cumulative. It will contain multiple choice and problems. It will be given during the last class session. There will be no make-ups for the final exam unless prior arrangements have been made with the instructor or a medical emergency takes place preventing the student from attending class.
Class Participation:
Each student is given the responsibility to help create a learning environment by participating in class discussions. Most of you will have had some business experience before taking this class and everyone can benefit from each other’s experience. Each student is expected to be a participant in class.

Attendance Policy:
Due to class participation and assignments, attendance is mandatory in this class. Attendance is part of your Participation Grade. A deduction of 5 points will be made for every absence. It will be extremely difficult to get an "A" in this course if you miss 2 or more classes. Unexcused lateness will be noted and will affect the student’s participation grade.

Conduct
“The University expects from all of its students and employees the highest standard of moral and ethical behavior in harmony with its Christian philosophy and purposes. Engaging in or promoting conduct or lifestyles inconsistent with traditional Christian values is not acceptable.

The following regulations apply to any person, graduate or undergraduate, who is enrolled as a Pepperdine University student. These rules are not to be interpreted as allinclusive as to situations in which discipline will be invoked. They are illustrative, and the University reserves the right to take disciplinary action in appropriate circumstances not set out in this catalog. It is understood that each student who enrolls at Pepperdine University will assume the responsibilities involved by adhering to the regulations of the University. Students are expected to respect order, morality, personal honor, and the rights and property of others at all times. Examples of improper conduct for which students are subject to discipline are as follows:

Dishonesty in any form, including plagiarism, illegal copying of software, and knowingly furnishing false information to the University. Forgery, alteration, or misuse of University documents, records, or identification. Failure to comply with written or verbal directives of duly authorized University officials who are acting in the performance of assigned duties. Interference with the academic or administrative process of the University or any of the approved activities. Otherwise unprotected behavior that disrupts the classroom environment. Theft or damage to property. Violation of civil or criminal codes of local, state, or federal governments. Unauthorized use of or entry into University facilities. Violation of any stated policies or regulations governing student relationships to the University.

Dismissing action may involve, but is not limited to, one or a combination of the alternatives listed below:

Dismissal – separation of the student from the University on a permanent basis.
Suspension – separation of the student from the University for a specified length of time.
Probation – status of the student indicating that the relationship with the University is tenuous and that the student’s records will be reviewed periodically to determine suitability to remain enrolled. Specific limitations to and restrictions of the student’s privileges may accompany probation.” See current GSBM Catalog.

Policy on Disabilities
Assistance for Students with Disabilities
“Students with disabilities, whether mental or physical, are encouraged to contact the Equal Opportunity Office before the academic year begins or soon after classes are in session. This office will assist each student by providing general information about campus facilities and available resources. The office will assist in providing reasonable accommodation to students with disabilities pursuant to applicable laws. Inquiries should be directed to equal opportunity officer, Lauren Breeding, (310) 506-6500. (Students who wish to file a formal grievance should refer to the “Nondiscrimination Policy,” which is listed in the “Legal Notices” section of this catalog.)” See current GSBM Catalog.
MBA 627.12
International Finance
Course Outline (Topic & chapter No.)

Week 1
Introduction to the Course, Instructor and Students
Review Course Syllabus
Lecture: Foundations of International Financial Management
1. Globalization and multinational firm
2. International monetary system

Week 2
Lecture: The International Financial Environment
3. Balance of payments
4. The market for foreign exchange
5. International Parity Relationships and forecasting foreign exchange rates

Week 3
Lecture: World Financial Markets & Institutions
7. International bond market
8. International equity markets
Class discussion of Current events / issues
Review Homework 1

Week 4
Midterm Exam
Lecture: World Financial Markets & Institutions (Cont’d)
10. Currency and interest rate swaps
Class discussion of Current events / issues

Week 5
Lecture: DERIVATIVE SECURITIES
9. Futures and options on foreign exchange
11. International portfolio investments
Handouts:
   The Black Scholes Model and Other Option Pricing Models
   Currency Option Trading Strategies
Class discussion of Current events / issues
Review Exam 1

Week 6
Lecture: Financial management of the multinational firm
Class discussion of Current events / issues
15. Foreign direct investment, sovereign and political risks
16. International capital structure and cost of capital

Week 7
Lecture: Foreign exchange exposure and management
12. Management of economic exposure
Class discussion of Current events / issues
Final in-class Examination
Reading Materials, Articles:


NOTE: The list provides a comprehensive review of most of the subject matter in international finance. You will not be required to read every article on the list. Many of the articles above can be found on the internet through the library providers such as JSTOR.