FIN3020 International Finance

This course aims to analyze international monetary relations and problems. Major areas of discussion include basic concepts and analysis of the balance of payments, the foreign exchange market, determination of spot and forward exchange rates, international capital flows, the payments adjustment mechanism, international monetary problems and arrangements, and international debt and its development. Prerequisites: FIN2010 Financial Management or permission from instructor. (Not for CUHK Economics Majors.)

The required textbook used is Alan Shapiro’s *Foundations of Multinational Financial Management, 5/e*. The course emphasizes broad concepts and practices, and provides a clear conceptual framework for analyzing key financial decisions in multinational firms. The course treats international financial management as a natural and logical extension of the principles learned in the foundations course in financial management. Thus, it builds on and extends the valuation framework provided by domestic corporate finance to account for dimensions unique to international finance.

FIN3020 is primarily intended for an undergraduate audience. Majority of subjects listed will be covered. *The course assumes no prior knowledge of international finance or international economics.*

Grading policy: a midterm, a final exam and several homework assignments will count towards the final grade.

Preliminary Course Outline

PART I: ENVIRONMENT OF INTERNATIONAL MANagements.

1. Introduction: Multinational Enterprise and Multinational Financial Management.

2. The Determination of Exchange Rates.

3. The International Monetary System.


5. The Balance of Payments and International Economic Linkages.


PART II: FOREIGN EXCHANGE AND DERIVATIVES MARKETS.


8. Currency Futures and Options Markets.
9. Swaps and Interest Rate Derivatives.

PART III: FOREIGN EXCHANGE RISK MANAGEMENT.


PART IV: FINANCING THE MULTINATIONAL CORPORATION.

13. The Euromarkets.
14. The Cost of Capital Foreign Investments.

PART V: FOREIGN INVESTMENT ANALYSIS.

15. International Portfolio Investment.

PART VI: MULTINATIONAL WORKING CAPITAL MANAGEMENT.

18. Financing Foreign Trade.