Deadline: January 24 (January 28) 15% to 16%

Choose an industry: You will put yourself in the shoes of a manager who is responsible for investments in foreign countries. In principle, you can select any industry. Nevertheless, I would not select the financial industry.

Choose a country: you will have to choose a country where your company will invest (preferably in the form of an FDI).

Project Structure

Introduction

- Should be 2 to 2.5 pages long.
- Should contain a discussion on the industry and the country of your choice.
- You can add the impact of the most recent financial crises (e.g. 2008 crisis & the ongoing pandemic).
- The last paragraph of your introduction will have a summary of the key findings.

Justifications

- You can use this section to justify your choice of the destination country. The discussion should be based on different economic and non-economic variables. For example, the attractiveness of the market, the financial health of the country, efficient labour, geographic advantages etc. etc.
- Discuss the amount of investment. The amount would vary depending on the industry you are in, the type of product, the size of the market and a few other factors. Again, you need to justify the amount in light of the relevant factors.

Country risk analysis

- MNCs conduct country risk analysis when assessing whether to invest in foreign countries. Country risk can be divided into two types of risks: a country's political risk and its financial risk. Financial managers must understand how to measure country risk so that they can make investment decisions that maximize their MNC's value.
- Read chapter 16 (from the Jeff Madura Book) for this part of the project.

An elaborate discussion on exchange rate impact on the project's future cash flows

- Historical analysis of the exchange rate under consideration.
- Exchange rate forecasts. Chapter 6 describes various methods used to forecast exchange rates.
- Use of derivative securities to manage exchange rate risk.
- Chapter 8, 9 & 10 discuss how to hedge firm's exposure to unfavourable exchange rates movements.

Multinational capital budgeting

- Read Chapter 18 for this part.
- The most common method of capital budgeting includes determining the project's net present value by estimating the present value of the project's future cash flows and deducting the initial outlay required for the project. Multinational capital budgeting typically uses a similar method.
- You will evaluate your company's project by using multinational capital budgeting. In this part of the report you will compare the benefits and costs of your project. Since MNCs spend huge amount of resources on international projects, multinational capital budgeting is a critical function. The project should shed lights on the following items:

    - Initial investment
    - Demand, revenue, and costs
    - Remitted funds

- Tax regulations
- Required rate of return
- Exchange rate

- Net present value calculation. The risk associated with a project is usually incorporated by modifying the discount rate used to determine the net present value of the project. Another approach involves NPV estimations based on several likely scenarios for exchange rates or any other uncertain factors.

Conclusion (1 standard page at least)

- A good conclusion contains more than just a few lines. Students often do a lot and forget to summarize the key arguments and key findings of the project. Your conclusion should touch upon the key discussions and main findings in the project and ought to give the reader one more chance to see why your project is a good one. Some of the things you discuss in the introduction can reappear (in a different way) in this part as well.