



Course Outline 2017

BUSMGT 742: INTERNATIONAL TRADE AND FINANCE (15 POINTS)

Quarter 2 (1174)

Course Prescription

Provides an understanding of the trade and financial environments within which organisations operate. Focuses on the challenges and risks organisations face when making business decisions with regard to international trade and finance.

Programme and Course Advice

Prerequisite: BUSMGT 724, 741, 751, 761 with at least a B average

Restriction: INTBUS 725

Goals of the Course

The focus of the course is on developing students' skills for:

- understanding the economic rationale for international trade and the role of the multinational enterprise (MNE);
- appreciating the complexities of the foreign exchange markets and the underlying theories, terminology, and participants;
- understanding of the fragile global financial environment;
- understanding the various financial risks when operating internationally and how to manage such risks;
- using corporate finance tools to make international business investment decisions.

Learning Outcomes

By the end of this course, students will be able to:

1. Explain the features of the international financial environment and markets, including the participants, terminology, opportunities, and risks
2. Apply, and critique the key economic principles that drive international finance (e.g., international parity conditions)
3. Perform fundamental foreign exchange calculations such as cross rates and forwards
4. Identify financial risks when operating across national borders (e.g., foreign currency risk)
5. Utilise various international financial instruments to mitigate and manage financial risks and exposures (for example, currency forwards and options)
6. Perform corporate finance analyses (e.g., optimal capital structure and cost of capital)
7. Perform NPV analyses in order to make international corporate investment decisions (i.e., capital budgeting)

Content Outline

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| Week 1 | Global financial environment (part one) – the fundamentals |
| Week 2 | Foreign exchange markets |
| Week 3 | International parity conditions |
| Week 4 | Foreign currency forecasting and derivatives |

Week 5	Foreign currency exposure (part one)
Week 6	Foreign currency exposure (part two)
Week 7	Global financial environment (part two) – global financial crisis
Week 8	Financing the global firm and domestic capital budgeting
Week 9	Multinational capital budgeting
Week 10	International trade finance and wrap-up

Learning and Teaching

The class will meet for 5.5 hours per week, comprising 1.5 hour plenary lecture, 2 hours tutorials, and 2 hours team-based learning (TBL). Teaching methods used in this course include lectures, class discussions, quantitative exercises, scenarios, case analyses, guest speakers, and videos.

In addition to attending classes, students should be prepared to spend another 10 hours per week on activities related to this course. These activities include reading set texts, reviewing course materials, solving recommended practice problems, preparing for tutorials and team-based learning sessions, working on assignments and preparing for tests.

Students are required to attend all classes ready to discuss the assigned materials, so you should ensure you do the required reading before each class. A portion of the overall grade is based on in-class exercises (e.g., short tests, class discussions, team exercises). Come prepared to participate. The classes are an opportunity for you to explore ideas, develop your own thinking and clarify material. Familiarity with current business news from around the world will make the course more meaningful – try to take a look at newspapers or online magazines regularly (e.g., The Economist and the WSJ).

Individual assignments are designed for you to showcase and develop financial and analytical skills, while the group-based exercises aim to develop skills in collaborative learning, teamwork, and communication.

Teaching Staff

Instructor: Chris Young (chris.young@hillhouse.co.nz)

Tutor: Joel Allen (joel.allen@auckland.ac.nz)

Learning Resources

Supplementary text:

Eiteman, D., Stonehill, A., & Moffett, M. (2016). *Multinational business finance: Global edition* (14th ed.). Harlow, UK: Pearson.

All additional course materials may be found on the BUSMGT 742 course page, which can be accessed via Canvas.

Assessment

In-class exercises	5%
Team case studies and presentations	10%
Individual assignments (2 at 5% each)	10%
Mid-term test	25%
<u>Final test</u>	<u>50%</u>
Total	100%

The broad relationship between these assessments and the course learning outcomes is as follows:

Learning outcome	In-class exercises	Team case studies	Individual assignments	Midterm test	Final test
1	x	X	x	x	x
2	x	X	x	x	x
3	x	X	x	x	x
4	x	X	x	x	x
5	x	X	x	x	x
6	x	X	x		x
7	x	X			x

Inclusive Learning

Students are urged to discuss privately any impairment related requirements face-to-face and/or in written form with the course director/lecturer and/or tutor.

Academic Integrity

The University of Auckland will not tolerate cheating, or assisting others to cheat, and views cheating in coursework as a serious academic offence. The work that a student submits for grading must be the student's own work, reflecting his or her learning. Where work from other sources is used, it must be properly acknowledged and referenced. This requirement also applies to sources on the world-wide web. A student's assessed work may be reviewed against electronic source material using computerised detection mechanisms. Upon reasonable request, students may be required to provide an electronic version of their work for computerised review.

In the event of an unexpected disruption

We undertake to maintain the continuity and standard of teaching and learning in all your courses throughout the year. If there are unexpected disruptions, the University has contingency plans to ensure that access to your course continues and your assessment is fair, and not compromised. Some adjustments may need to be made in emergencies. In the event of a disruption, the University and your course coordinators will make every effort to provide you with up-to-date information via Canvas and the university website.