

Business Finance 4255 Fall 2023

35789 MW: 2:20-3:40
Schoenbaum Hall 305

International Finance



Instructor:

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Born in 1952, Professor Doroodian received his Bachelor Degree in 1975, Master's Degree in 1977 from Shiraz University and his Ph.D. in 1981 from the [University of Oregon](#). All three degrees are in Economics and his area of specialization is International Trade and Finance.

After graduation, he taught economic courses at [Portland State University](#) as an adjunct Professor for one year. He then joined the Department of Economics of [Ohio University](#) in 1982 and was there through December 2022. While at Ohio University, he taught courses at undergraduate and graduate levels. They included international economics and financial markets, international finance, mathematical economics, macroeconomics and business fluctuations, managerial economics, among others. He was nominated two times for the Presidential Teaching Award.

Professor Doroodian is the founder of the Master of Financial Economics (MFE); a CFA based curriculum, launched in June 2000. From 1991 through 2020 he served as the Graduate Director of MA in economics, and from 2000 through 2021 he served as the Graduate Director of the MFE program. He has published numerous scholarly articles in professional journals and has made numerous presentations in various professional conferences.

Course Description

This Course provides the foundation of international finance for multinational corporations (MNCs) and how they can capitalize on international opportunities to maximize value of the firm. The financial managers must be able to evaluate the international environment, recognize opportunities, implement strategies, assess exposure to risk, and manage that risk. The MNCs most capable of responding to changes in the international financial environment will be rewarded with higher profits.

Learning Objectives

This course is divided in four modules.

Module 1 – Balance of Payments and Exchange Rate Behavior

At the end of this module, you should be able to:

- Identify the key components of the balance of payments (BOP).
- Explain the growth in international trade activity over time.
- Discuss how international trade flows are influenced by economic and other factors.
- Explain how international capital flows are influenced by country characteristics.
- Identify the agencies that facilitate the international flow of funds.
- Explain the U.S. dollar as a reserve currency and its Implications for the United States.
- Understand the difference between nominal exchange rate and real exchange rate
- Discuss the potential for cryptocurrencies, Yuan, and the BRICS currency to lower the dollar's status as the world reserve currency.
- Explain different types of exchange rate regimes.
- Identify the means that governments can use to influence exchange rate movements.
- Explain how international exchange arbitrage and interest arbitrage work.
- Explain the significance of the interest rate parity and the exchange rate parity.
- Describe how interest rate differential between any two countries can influence the forward exchange rate movements.
- Explain how inflation differential between any two countries affect the exchange rate of their currencies.
- Explain the basics of currency futures and options.

Module 2 – Exchange Rate Risk Management

This module builds on the knowledge gained in module 1. At the end of this module, you should be able to:

- Explain how corporate financial managers can make sound decisions when facing exchange rate risks.
- Distinguish various forecasting techniques that available to MNCs.
- Explain how to access forecasting performance of exchange rates.
- Discuss measuring exposure to exchange rate risk.

- Identify the differences among transaction exposure, economic exposure, and translation exposure.
- Identify different methods that MNCs can use to hedge foreign exchange risks.

Module 3 – Managing Long-Term Asset and Liability Risk

At the end of this module, you should be able to:

- Explain why MNCs engage in direct foreign investments.
- Compare the capital budgeting analysis of an MNC's subsidiary versus its parent.
- Demonstrate how multinational capital budgeting can be applied to determine whether an international project should be implemented.
- Explain how the risk of international projects can be assessed.
- Describe the key components of an MNC's capital.
- Identify the factors that affect an MNC's capital structure.
- Explain how the cost of capital is estimated.
- Explain why the cost of capital varies among countries.
- Discuss the costs and benefits of long-term debt financing by borrowing local currency or foreign currency.

Module 4 – Managing Short-Term Asset and Liability Risk

At the end of this module, you should be able to:

- Compare different methods that MNCs can use to finance international trade.
- Identify the criteria that an MNC should use to decide whether it should use internal or external sources to finance its short-term investment needs.

Textbook

- Jeff Madura, "International Financial Management", 14th ed., 2021, Cengage Learning, Inc.
- \$55 through CarmenBooks, National price would be over \$100.
- The MindTap with eBook for ***International Financial Management*** by Madura is being provided via the OSU CarmenBooks program. Through CarmenBooks, students obtain publisher materials electronically through Carmen/Canvas, saving them up to 80% per title. The fee for this material is included as part of tuition and is listed as ***CarmenBooks fee*** on your Statement of Account. In addition to cost-savings, materials provided through CarmenBooks are available *immediately* on or before the first day of class. There is no need to wait for financial aid or scholarship money to purchase your textbook.
- Unless you choose to opt-out of the program, you do NOT need to purchase any materials for this course at the bookstore. However, if you opt out, you will then need to purchase access to MindTap through another avenue.

- For more information on the CarmenBooks program, please go to the CarmenBooks site: <https://affordablelearning.osu.edu/carmenbooks/students>
- You will register and access MindTap and eBook from the MindTap link/s in your professor's Carmen course. Please review the MindTap Registration instructions located in your Carmen course. You can also download the free Cengage mobile app to access the eBook from a mobile device.
- Recommended – Wall Street Journal (WSJ) or Bloomberg. As a finance major student, you are recommended to read the WSJ or Bloomberg to get the latest financial news. For digital access WSJ is charging \$4 a month or \$24 a year as long as you are a student. Bloomberg charges \$0.99/for three months and \$34.99 thereafter.
- For the WSJ, please click [The Wall Street Journal \(wsj.com\)](http://www.wsj.com)
- For Bloomberg, please click [Bloomberg News](http://www.bloomberg.com).

Pre-Requisite

BusFin 4211 (Corporate Finance) or concurrent; BusFin 4221 (Investment) or concurrent.

How this Course Works

Mode of delivery: This course is 100% in-person. I expect each student to attend class on time and be prepared to participate in class discussions. I will put discussion questions on the screen and expect you to discuss the answers.

According to [OSU Policy](#), students should expect spend around an average of 3 hours per week on direct instruction (instructor content and Carmen activities, for example) in addition to a minimum of 6 hours of reading, assignment preparation, etc.

Chapters to Be Covered:

Chapter 2: International Flow of Funds

Chapter 3: International Financial Markets

Chapter 4: Exchange Rate Determination

Dollar of as a Reserve Currency

Exchange Rate Index

FedNow Service

Chapter 5: Currency Derivatives

Chapter 6: Government Influence on Exchange Rates

Chapter 7: International Arbitrage and Interest Rate Parity

Chapter 8: Relationships among Inflation, Interest Rates, and Exchange Rates

Chapter 10: Measuring Exposure to Exchange Rate Fluctuations

Chapter 11: Managing Transaction Exposure

Chapter 12: Managing Economic Exposure and Translation Exposure

Chapter 13: Direct Foreign Investment

Chapter 14: Multinational Capital Budgeting

Chapter 17: Multinational Capital Structure and Cost of Capital
Chapter 18: Long-Term Debt Financing
Chapter 20: Short-Term Financing

Course Technology:

For help with your password, university email, Carmen, or any other technology issues, questions, or requests, contact the Ohio State IT Service Desk. Standard support hours are available at ocio.osu.edu/help/hours, and support for urgent issues is available 24/7.

- **Self-Service and Chat support:** ocio.osu.edu/help
- **Phone:** 614-688-4357(HELP)
- **Email:** servicedesk@osu.edu
- **TDD:** 614-688-8743

Baseline technical skills for online courses

- Basic computer and web-browsing skills
- Navigating Carmen: for questions about specific functionality, see the [Canvas Student Guide](#).

Required Technology skills specific to this course

- [CarmenZoom virtual meetings](#)

Required equipment

- Computer: current Mac (OS X) or PC (Windows 7+) with high-speed internet connection
- Webcam: built-in or external webcam, fully installed and tested
- Microphone: built-in laptop or tablet mic or external microphone
- Other: a mobile device (smartphone or tablet) or landline to use for BuckeyePass authentication

Required software

Microsoft Office 365: All Ohio State students are now eligible for free Microsoft Office 365 ProPlus through Microsoft's Student Advantage program. Full instructions for downloading and installation can be found at go.osu.edu/office365help.

Carmen access

You will need to use [BuckeyePass](#) multi-factor authentication to access your courses in Carmen. To ensure that you are able to connect to Carmen at all times, it is recommended that you take the following steps:

- Register multiple devices in case something happens to your primary device. Visit the [BuckeyePass - Adding a Device](#) help article for step-by-step instructions.
- Request passcodes to keep as a backup authentication option. When you see the Duo login screen on your computer, click **Enter a Passcode** and then click the **Text me new codes** button that appears. This will text you ten passcodes good for 365 days that can each be used once.

- Download the [Duo Mobile application](#) to all of your registered devices for the ability to generate one-time codes in the event that you lose cell, data, or Wi-Fi service.

If none of these options will meet the needs of your situation, you can contact the IT Service Desk at 614-688-4357 (HELP) and IT support staff will work out a solution with you.

Attendance and Participation Requirements

I expect everyone to attend class regularly. We are going to do many in-class active learning problems and questions. Answers to these problems and questions will not be posted in Carmen and will not be given to you individually. I will call on you to answer the questions. If you are absent, your class participation grade will be negatively affected.

My expectation is that everyone should participate in class discussions at least once a week. Anything mentioned in class is a fair game for quizzes/exams. The problems/questions that we do in class will be similar to the type of questions that you will see in quizzes and exams.

Office hours: OPTIONAL

Office hours are optional but recommended especially if you are struggling with the material. Please contact me if you wish to meet with me in my office. The best way to contact me is by email. I will respond back to your email within 48 hours.

Grading and Evaluation

Graded assignments may come in three forms, and students should note the expectations for each in the descriptions of our class assignments below.

- **Independent Work (↑):** Strictly non-collaborative, original-individual work. You may discuss this assignment only with your instructor. Discussions with other individuals, either in person or electronically, are strictly prohibited.
- **Collaboration Required (👥):** An explicit expectation for collaboration among students (i.e., group work). Answers to some questions may involve searching on the internet/other sources. However, avoid writing long answers.

Assignment Name	Points	Percentage	Assignment Type
Exams (1 mid-term and a final exam) – Each 80 pts	160	40%	↑
Quizzes (Best of 4 out of 5) – 10 pts each	40	10%	↑
Individual Assignments (MindTap)	100	25%	↑
Four Group Assignments – 15 pts each	60	15%	👥 Groups of 4 students (may be selected randomly)
Class Participation	40	10%	↑
Total	400	100%	

The sum of all MindTap Assignments is 208 points. Your grade for each MindTap assignment is calculated as follows:

$$\frac{\text{Points Received from an Assignment}}{208} \times 100 \text{ pts}$$

MindTap Assignments

Chapter 2	18 pts	Chapter 9	17 pts	Chapter 14	16 pts
Chapter 5	20 pts	Chapter 10	16 pts	Chapter 17	15 pts
Chapter 6	11 pts	Chapter 11	20 pts	Chapter 18	14 pts
Chapter 7	20 pts	Chapter 12	8 pts	Chapter 20	9 pts
Chapter 8	15 pts	Chapter 13	9 pts	Total	= 208 pts

There will be four group assignments. They will be posted in Carmen.

Quizzes, Midterm, and Final Exam

There are five quizzes over the course of the semester and are administered during the class time through lockdown browser. Each quiz will take between 10 to 15 minutes. The lowest quiz score will be dropped. The remaining quiz scores will contribute equally towards the total grade for quizzes.

There will be a midterm and a final exam. The exams will be administered through lockdown browser. Each exam will be 80 minutes in length. The final exam is not comprehensive. It will cover everything that we discussed after the midterm. In each exam you will be asked to answer multiple-choice questions.

Since exams and quizzes are taken via the lockdown browser, use the link below to download the software. Please do not wait until the quiz day. If there is any technical issue, you want to have enough time to fix it before the test day:

<https://teaching.resources.osu.edu/toolsets/carmencanvas/guides/respondus-lockdown-browser-students>

Course Resources to Learn the Material

Course slides (notes) will be posted in Carmen. Since I am still developing the course materials, my PPT slides will be subject small revisions before they are presented to you in-class. If you wish to get a copy of the slides, please do it at the beginning of each class.

Students are expected to read the assigned chapter before each class. To encourage preparation and facilitate class discussion, I may call on students in class to share their insights.

Course Assignments

There will be both individual and group assignments. Individual assignments are in MinTap. You can make up to three attempts and the highest grade will be recorded in the gradebook. Group assignments may be done in groups of four students. They will be posted in Carmen. Assignments are usually due every 1-2 weeks.

In either case, each student or group will be working independently of all other students or groups. All assignments are due at 11:59pm on the due date. No late assignment will be accepted. If you miss the due date, you will get a zero. The due date is announced in class and posted on Carmen. *Each assignment grade will contribute equally towards the Assignment component grade.* In group assignments, each student must contribute to the assignment. I encourage you to send me an e-mail if there are free riders in your group. I may ask a person in the group to explain their answers to the class.

Grade Distribution			
Grade	Percentage - Points	Grade	Percentage – Points
A	$93\% \leq 376 - 400 \leq 100\%$	C	$73\% \leq 296 - 307.6 < 75\%$
A-	$90\% \leq 360 - 375.6 < 92\%$	C-	$70\% \leq 280 - 295.6 < 72\%$
B+	$86\% \leq 348 - 359.6 < 89\%$	D+	$66\% \leq 268 - 279.6 < 69\%$
B	$83\% \leq 336 - 347.6 < 85\%$	D	$63\% \leq 256 - 267.6 < 65\%$
B-	$80\% \leq 320 - 335.6 < 82\%$	D-	$60\% \leq 240 - 255.6 < 62\%$
C+	$76\% \leq 308 - 319.6 < 79\%$	F	Below 255.6 points

Grades are non-negotiable. I do not offer any extra credit; please don't ask.

Academic Dishonesty

Students who are found in violation of the Ohio State University Student Code of Conduct during an exam will receive a score of zero for that exam/assignment and may receive a letter grade of "F" for the class. In addition, the cheating incident may become a part of the student's permanent academic record. I beard in mind that Ignorance of the University's Code of Student Conduct is never considered an excuse for academic misconduct. The Ohio State University and the Committee on Academic Misconduct (COAM) expect that all students have read and understand the University's Code of Student Conduct, and that all students will complete all academic and scholarly assignments with fairness and honesty. Students must recognize that failure to follow the rules and guidelines established in the [Code of Student Conduct](#).

The Ohio State University's Code of Student Conduct (Section 3335-23-04) defines academic misconduct as: Any activity that tends to compromise the academic integrity of the University, or subvert the educational process. Examples of academic misconduct include (but are not limited to) plagiarism, collusion (unauthorized collaboration), copying the work of another student, and possession of unauthorized materials during an examination.

Student COVID-related Accommodation Process

The university is committed to supporting students and program participants with COVID-19 based risk factors. Student Life Disability Services, in conjunction with the Office of Institutional Equity, will work with students who are vulnerable to complications from COVID-19 to ensure that they have the necessary resources to participate in university life as safely as possible. Ohio State students from any campus may submit a [COVID-related accommodation request](#). Students registered with Student Life Disability Services can work directly with their [assigned Access Specialist](#) to modify their accommodations or make additional COVID-based accommodation requests.

Disability Services

The university strives to make all learning experiences as accessible as possible. In light of the current pandemic, students seeking to request COVID-related accommodations may do so through the university's [request process](#), managed by Student Life Disability Services. If you anticipate or experience academic barriers based on your disability (including mental health, chronic, or temporary medical conditions), please let me know immediately so that we can privately discuss options. To establish reasonable accommodations, you should register with Student Life Disability Services. After registration, make arrangements with me as soon as possible to discuss your accommodations so that they may be implemented in a timely fashion. SLDS contact information: slds@osu.edu; 614-292-3307; slds.osu.edu; 098 Baker Hall, 113 W. 12th Avenue.

Accommodated Exams - COVID-19 Operational Adjustments

In order to promote the health and safety of students, Student Life Disability Services will only proctor exams for students with accommodations that necessitate in-person testing for autumn 2021. Modified exam hours for autumn 2021 are 9 AM – 5 PM.

Students with the following exam accommodations may schedule to take their exams at SLDS:

- Accessible formats (e.g., braille, large print, screen-free)
- Assistive technology (e.g., JAWS, CCTV)
- Private testing room accommodation
- Test assistant (reader or scribe)

Students requesting exam accommodations not listed above, such as extended time or a small-group testing space, will need to take their exam off-site utilizing Carmen or other virtual assessment method.

Grade Appeals

Grade appeals must be emailed within one week after the graded work is made available. The entire document will be checked for grading errors, and correcting these could either raise or lower the overall score.

Makeup Test

If you miss a quiz, it will be considered as the one that you can drop. Please do not ask for a makeup. As for the exams, makeup exams will only be given with proof in writing of a legitimate University approved absence. A legitimate University approved excuse is defined as illness, death in the immediate family, religion observance, jury duty, and similar emergency circumstances. I prefer not to give makeup tests. In case I agree to a makeup test, you will be given only essay questions and problems.

Communication with your Professor

The preferred means of communication is via e-mail. Since I am teaching four sections of this course, please make sure that you will indicate the class time in your signature. Please avoid sending long e-mails. In cases where you have a long-run question, you can either call me or come to my office. Please send an e-mail to make an appointment.

Instructor Feedback and Response Time

Below is my availability throughout the course.

- **Grading and feedback:** For assignments, you can expect feedback within 7 days.
 - **Email:** I will reply to emails within 48 hours when classes are in session.
- Remember that you can call **614-688-HELP** at any time if you have a technical issue.

Student Feedback

Although I have forty years of teaching experience, I am always open to feedback from students. If you are happy with the way the course is progressing, I appreciate to learn about it and if you are struggling with the class, I should know about this immediate. I can make suggestions to help you.

Course Schedule

This schedule is tentative and can change at my discretion. The revised syllabus will be uploaded on Carmen and students will be notified if that happens. **The due dates for MindTap assignments are subject to change. If a change must be made, I will announce that in class.**

The following course outline is tentative and is subject to change at my discretion

Week	Dates	Topics
1	August 23	Introduction – Course Overview Chapter 2: International Flow of Funds
2	August 28 and 30	Chapter 5: Currency Derivatives
3	September 4 and 6	Chapter 6: Government Influence on Exchange Rates
4	September 11 and 13	Quiz 1 - September 5 Chapter 6 (cont.) Exchange Rate Index
5	September 18 and 20	The Dollar as the World's Reserve Currency Chapter 7: International Arbitrage and Interest Rate Parity
6	September 25 and 27	Quiz 2 - September 19 Chapter 8: Relationship between Inflation, Interest Rates and exchange rates
7	October 2 and 4	Chapter 9: Forecasting Exchange Rates
8	October 9-11	Mid-Term Chapter 10 Measuring Transaction Exposure
9	October 16 and 18	Chapter 11: Managing Transaction Exposure Chapter 12: Managing Economic Exposure
10	October 23 and 25	Quiz 3 – October 23 Chapter 12: Managing Economic Exposure (cont.) Chapter 13: Foreign Direct Investment
11	October 30 and November 1	Chapter 13: Foreign Direct Investment (cont.) Chapter 14: Multinational Capital Budgeting
12	November 6 and 8	Quiz 4 – November 6 Chapter 17: Multinational Capital Structure
13	November 13 and 15	Chapter 18: Long-Term Debt Financing
14	November 20	Chapter 20: Short-Terms Debt Financing
15	November 27 and 29	Quiz 5 on November 29 Chapter 20 (cont.) International Lending and Financial Crises
16	December 4-6	International Lending and Financial Crises (cont.)
	December 8-14	Final Examination