



THE GEORGE WASHINGTON UNIVERSITY
SCHOOL OF
BUSINESS

DEPARTMENT OF INTERNATIONAL BUSINESS

COURSE SYLLABUS

COURSE TITLE: International Business Finance

**COURSE
NUMBER:** IBUS 3301
Section 10

SEMESTER: Spring 2017

**TIME AND
LOCATION:** Tuesdays and Thursdays, 3:45–5:00, Phillips 110

**COURSE
DESCRIPTION:** This course is an analysis of the international economic environment and its influence on corporate financial management of international operations.

**COURSE
OBJECTIVES:** The basic objective of this course is to enhance the ability of the student to evaluate the international financial and monetary framework and then to analyze and solve problems arising in the international financial operations of a firm. The course deals with both the theory and the practice of international financial management.

PREREQUISITES:

1. BADM 3501, Financial Management and Markets
2. Either IBUS 3001, Introduction to International Business or IBUS 3101, Global Financial Environment

PROFESSOR: Reid W. Click
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OFFICE HOURS: Tuesdays and Thursdays, 2:30–3:30
And by appointment

COURSE

MATERIALS: The textbooks for the course are:

O'Brien 1: *Introduction to Foreign Exchange Rates*, by Thomas J. O'Brien, Business Expert Press, 2013.

O'Brien 2: *Applied International Finance: Managing Foreign Exchange Risk and International Capital Budgeting*, by Thomas J. O'Brien, Business Expert Press, 2014.

You also need to read a business newspaper such as *The Wall Street Journal* or *The Financial Times* to keep up with current international business events. *The Wall Street Journal* offers more depth to coverage, and that's what I read. A subscription to *The Wall Street Journal* is affordable with student prices and includes three formats: the print copy, the online version at wsj.com, and the mobile reader for a smartphone app. The print version will be delivered six days per week (Monday through Saturday). Information on student subscriptions is available at www.wsj.com/spring2017. A subscription for the 15 weeks of the semester is a bargain at \$15.00; you can also sign up for the year if you'd like.

You will also need a simple calculator, particularly for use on the exams. It does not need to be a financial calculator or programmable, but something that will relieve you from doing addition, subtraction, multiplication and division by hand.

There will also be occasional handouts passed out in class or posted on Blackboard at blackboard.gwu.edu.

EVALUATION:

In accordance with University regulations, each student will receive a grade of A, B, C, D, or F (with + or – as appropriate). Grades will be based on three exams and class performance, according to the following point scale (and weights):

EXAM I	100 POINTS	25%
EXAM II	100 POINTS	25%
EXAM III	100 POINTS	25%
CLASS PERFORMANCE	100 POINTS	25%
TOTAL	400 POINTS	100%

The exams will cover material contained in the lectures, class discussions, and assigned readings (including handouts). Make-up exams for missed exams will be given only in extreme emergencies, so you must plan to take the exams at the stated dates and times.

Class performance will be assessed on attendance, contribution to class discussions, and responses to questions asked in class. This component is particularly important for the three case discussions.

For both exams and class discussion, you must keep up with current events in international business finance.

Although not explicitly assigned, you are encouraged to work the problems at the end of each assigned chapter in order to prepare for the exams. Some specific questions from each chapter will be recommended. Answers to the problems are in the text, but we may also go over some questions in class as time permits.

SCHEDULE OF CLASSES

PART I: EXCHANGE RATES

DATE	TOPIC	ASSIGNMENT
Tuesday, January 17	Introduction to the Course Exchange Rates	O'Brien 1, Chapter 1
Thursday, January 19	Exchange Rate Volatility Transaction Exposure	O'Brien 1, Chapter 2
Tuesday, January 24	Absolute Purchasing Power Parity (PPP)	O'Brien 1, Chapter 3
Thursday, January 26	Relative Purchasing Power Parity (PPP) and other Extensions of PPP	O'Brien 1, Chapter 4
Tuesday, January 31	Uncovered Interest Rate Parity (UIRP)	O'Brien 1, Chapter 5
Thursday, February 2	Extensions of UIRP	O'Brien 1, Chapter 6
Tuesday, February 7	Forward Rates and Covered Interest Rate Parity	O'Brien 1, Chapter 7
Thursday, February 9	Synthesis and Review	
Tuesday, February 14	EXAM I	

PART II: FOREIGN EXCHANGE EXPOSURE AND RISK

DATE	TOPIC	ASSIGNMENT
Thursday, February 16	Transaction Exposure Preparation for Tuesday's Case Discussion	O'Brien 1, Chapter 8 Students will be put in teams to work on Slides 2-4 and Questions 1-5 of the case discussion.
Tuesday, February 21	Case Discussion: Houston Marine Electronics	O'Brien 1, pp. 171-178
Thursday, February 23	Operating Exposure: Basics	O'Brien 2, Chapter 1, pp. 3-19
Tuesday, February 28	Competition and Operating Exposure	O'Brien 2, Chapter 1, pp. 19-33
Thursday, March 2	Business, Equity, and Translation Exposure	O'Brien 2, Chapter 2
Tuesday, March 7	Foreign Currency Debt: Basics	O'Brien 2, Chapter 3, pp. 61-74
Thursday, March 9	Foreign Currency Debt: Extensions	O'Brien 2, Chapter 3, pp. 74-85
March 13 – March 17	Spring Break	
Tuesday, March 21	Case Discussion: Adventure & Recreation Technologies, Inc.	O'Brien 2, pp. 115-123 In question 3, omit the Excel assignment to replicate the equity exposure to the euro, but unlever the given equity exposure to obtain operating exposure. Omit question 7 completely.
Thursday, March 23	EXAM II	

PART III: INTERNATIONAL COST OF CAPITAL AND CAPITAL BUDGETING

DATE	TOPIC	ASSIGNMENT
Tuesday, March 28	Global Capital Asset Pricing Model	O'Brien 2, Chapter 5, pp. 127-141
Thursday, March 30	Currency Betas and Risk-Adjusted UIRP	O'Brien 2, Chapter 5, pp. 141-151
Tuesday, April 4	Cost of Capital for Foreign Operations Political Risk	O'Brien 2, Chapter 6
Thursday, April 6	International Capital Budgeting	O'Brien 2, Chapter 7
Tuesday, April 11	Cross-Border Valuation	O'Brien 2, Chapter 8, pp. 206-215
Thursday, April 13	Extensions of Cross-Border Valuation	O'Brien 2, Chapter 8, pp. 215-230
Tuesday, April 18	Synthesis and Review	
Thursday, April 20	EXAM III	
Tuesday, April 25	Case Set-Up: New Plant for Houston Marine Electronics	Read O'Brien 2, pp. 231-243
Thursday, April 27	Case Discussion: New Plant for Houston Marine Electronics	O'Brien 2, pp. 231-243 In question 3, omit the data analysis part. In question 4, omit the empirical replication of the country beta. Omit question 5 completely. For question 7, set up an Excel spreadsheet to find the NPVs; this can be revised to find the NPVs for questions 8, 10, and 11. In question 8, do not show calculation of the operating beta, but show calculation of the cost of capital. In question 9, omit the empirical replication of the currency beta. Omit question 12 entirely.