The objective of the course is to provide the student with the conceptual framework necessary to appreciate and understand the challenges facing the financial manager in a global financial environment. Class sessions will be devoted to lectures and case discussion on topics outlined in the course syllabus. Equipped with the framework provided in the classroom, students are asked to solve problems and analyze case situations that are intended to provide them with examples using the basic tools employed by financial decision-makers in a global setting.

**Students will learn:**

The first half of the course covers the key financial issues faced by businesses operating internationally and tools available to help manage risks. Specifically, the determination of exchange rates, country risk analysis, foreign currency derivatives (futures, options, currency, and interest rate swaps), and the use of these products in risk management strategies to hedge foreign currency risk faced by the multinational corporation (MNC).

The second half of the course focuses on the MNC and global foreign investment. Specifically, Euro currencies, international capital markets (including equities, global bond markets, and role of the major rating agencies), cost of capital, working capital, capital budgeting, short-term financing, and managing international cash flows within the multi-national corporation and its foreign subsidiaries. We will utilize cases and group projects to augment lectures, readings, and exercises.

**Required text:** Multinational Financial Management, Alan Shapiro, 10th edition (Wiley & Sons) to be published October 30, 2013.

**Cases and exercises are subject to change.**

Group presentations include use of PowerPoint to demonstrate the group’s analysis of case issues that include topics on currency risk, international capital markets, country risk, hedging, international ratings, and financial investment for the MNC.
I. Environment of International Financial Management

January 13
Introduction and overview
Chap 2, The Determination of Exchange Rates
Chap 3, The International Monetary System (Sec. 3.3 and 3.4)

January 15
Chap 4, Parity Conditions in International Finance
Chap 5, Balance of Payments and International Linkages
Chap 6, Country Risk Analysis
Mini Case Discussion: Shapiro Text

Part II. Foreign Exchange and Derivative Markets

January 20
Chap 7, Foreign Exchange Markets
Chap 8, Currency Futures and Options Markets
Case: Italian Crisis 2008

January 22
Exercise Packet: (Univ. of Michigan) Foreign exchange
Chap 9, Swaps and Interest Rate Derivatives

Part III. Foreign Exchange Risk Management

January 27
Chap 10, Measuring and Managing Translation and Transaction Exposure

January 29
Chap 11, Measuring and Managing Economic Exposure
Group Project Presentation: HBS Case Grupo Ariel

February 3
Exam 1
Part IV Financing the Multinational Corporation

February 5     Chap 12, International Financing and National Capital Markets
               Chap 13, The Euromarkets
               Note: Global rating agency credit criteria in international fixed income markets (prepared by Gianna Bern)

February 10    Chap 14, The Cost of Capital for Foreign Investments
               Note: (Univ. of Michigan) Cross Border Valuation

February 12    Chap 15, International Portfolio Investment
               Exercise: (Univ. of Michigan) Cross Border Project Valuation

Part V Foreign Investment Analysis

February 17    Chap 16, Corporate Strategies and Foreign Direct Investment
               Chap 17, Capital Budgeting

February 19    Chap 18, Financing Foreign Trade
               Chap 19, Current Asset Mgt. and Short-term Financing
               Case: HBS Case Study Belco Global Foods

Part VI Multi National Working Capital Management

February 24    Group Presentations: HBS Case Study Petrolera Zuata*

*This case includes many issues MNCs may face when implementing complex international joint ventures including: global fixed income markets, obtaining ratings on international corporate bonds, sovereign bonds and their credit ratings, long-term project finance structures, bank financing, currency issues, and country risk.

February 27    Exam 2
Grading:

Exercise Packet 1 10%
Exercise Packet 2 10%
Group Presentation Case 1 20%
Group Presentation Case 2 20%
Individual Analysis Case 3 10%
Exam 1 15%
Exam 2 15%

Required Textbook: Multinational Financial Management 10th Edition by Alan C. Shapiro (John Wiley & Sons to be published October 30, 2013). This text should be available as both a hardcover and e-book. We will focus our efforts on financial considerations for the MNC such as hedging currency risk with derivatives, risk management strategies, international capital markets, capital budgeting, working capital considerations, short term financing, and foreign investment. This text book is comprehensive. We will make every effort to cover as much material as time permits.

Case Studies: Various Harvard Business School case studies, University of Michigan Ross School of Business exercises, and text book mini-cases will be used for classroom discussion and group project presentations. Both case studies and exercises are subject to change.

Gianna Bern is a principal, Brookshire Advisory and Research, Inc. Brookshire is a Chicago-based independent equity investment research and consulting firm. Ms. Bern is a recognized authority on the global energy markets and author of Investing in Energy; A Primer to the Economics of the Energy Industry (Bloomberg/Wiley 2011). Ms. Bern is a former Senior Director Corporate Finance, Fitch Ratings, and sector head of oil, gas and utilities in Latin America. Prior to that, Ms. Bern managed a $2 Billion commercial lease portfolio and held a managerial-level position in corporate treasury for six years. Earlier in her career, Ms. Bern was a former Manager, Risk Management at BP Amoco Plc with responsibility for trading and hedging energy commodities. Ms. Bern began her career at Continental Bank (now Bank of America) in corporate finance.

Ms. Bern has an MBA from The University of Chicago’s Booth School of Business in finance and international business and a BBA in accounting from Illinois Institute of Technology. Ms. Bern holds the Registered Investment Advisor and Commodity Trading Advisor designations. She also holds a Series 65 license.