

### **Syllabus for Multinational Financial Management:**

*Required Text:* Shapiro, Alan C. (2007). Multinational Financial Management, 8<sup>th</sup> ed. Wiley.

*Class:* This course will explore several aspects of financial management, focusing on aspects related to operating a company in the global milieu. We will start by discussing/reviewing the basic international finance concepts. Having described the international macroeconomic environment, we will explore various aspects of managing risk associated with a multinational company's operation, such as foreign exchange derivatives. We'll then explore corporate finance issues in the international environment and, if time permits, will study investment finance issues in that setting.

*Grading:* Your course grade will be based on a midterm (30%), cumulative final (40%), and class participation (30%). The latter includes your involvement with experiential learning, such as guest lectures and field trips, that will also be an important component of this course.

*Outline:* This is a very rough synopsis of our agenda for the term. The course is divided into five parts:

- I. International Finance Overview: This part of the course will cover the basic open macroeconomic concepts. We'll study exchange rate determination, international monetary system, and measurement of a country's exposure to the global environment. (Chapters 1—6 of the textbook.)
- II. Foreign Exchange and Derivatives Markets: We will briefly discuss the spot and forward exchange rate markets and will emphasize the volatility of exchange rates. We will then study how some of the risk associated with this volatility can be moderated (or exploited) through the use of derivatives associated with holding foreign currency or cash flows denominated in its terms. (Chapters 7—9).
- III. Foreign Exchange Risk Management: We will extend the concepts covered in the previous part. We'll discuss alternative measures of foreign exchange exposure of a multinational company and provide some derivatives-related strategies for managing this risk. (Chapters 10 and 11.)
- IV. Corporate Finance in the Multinational Context: We will discuss how the operations of multinational companies may be financed. We'll look at the interaction of global capital markets and will study how companies can organize themselves in the most efficient fashion in the international environment. (Chapters 12—13)
- V. Investment Finance in the Multinational Context: This part of the course is highly relevant across two dimensions. First, investing in multinational companies exposes investors to issues that are not important in the context of purely domestic companies. Globalization has rendered the former far more important than the latter and the process is likely to deepen in the future. Second, multinational companies may not immediately have profitable growth opportunities, while it may not be necessarily efficient for them to return existing profits to stockholders. Hence it may make sense to them to invest some of their profits into other companies. We'll explore the challenges that they may face in so doing. (Chapters 15-17)

*Tentative Reading Schedule:*

June 24<sup>th</sup>: Chs 1-3

June 30<sup>th</sup>: Chs 4-5

July 2<sup>nd</sup>: Chs 6-7

July 7<sup>th</sup>: Chs 8-9

July 9<sup>th</sup>: Chs 10-11

July 14<sup>th</sup>: Chs 12-13

July 17<sup>th</sup>: Midterm

August 4<sup>th</sup>: Chs 14-15

August 7<sup>th</sup>: Ch 16

August 11<sup>th</sup>: Ch 17

August 18<sup>th</sup>: Final