

Syrian Arab Republic	 الجامعة الافتراضية السورية SYRIAN VIRTUAL UNIVERSITY	الجمهورية العربية السورية
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Syrian Virtual University		الجامعة الافتراضية السورية

## Course Description: International Finance

### 1- Basic Information:

Course Name	International Finance
Course ID	BFB606
Contact Hours (Registered Sessions)	12
Contact Hours (Synchronized Sessions)	24
Mid Term Exam	-
Exam	75 min
Registered Sessions Work Load	48
Synchronized Session Work Load	24
Credit Hours	4
Course Level	6

### 2- Pre-Requisites:

Course	ID
Macroeconomics	BEC403
Financial Management of Enterprises	BFB503
English Level 3	Eng3

### 3- Course General Objectives:

This first part of this module aims at highlighting the position of international finance in Finance and the establishment of Multinational Companies (MNCs) and the theories that explain their emergence with special emphasis on their specialties in comparison to national companies. Then, it explores the Foreign Exchange (FX) market, pricing methods, and FX theories. Next, it discusses different types of FX exposures that face MNCs and hedging methods. In addition, it provides detailed explanations of different entry methods to new markets including Foreign Direct Investment (FDI) and differentiates it from investing in international portfolio.

In its second part, it illustrates different financing sources of MNCs and discusses their capital structure and methods of computing the cost of capital. Then, it discusses methods of evaluation of MNCs projects using traditional as well as real options and shows how to consider their risk.

Syrian Arab Republic	 الجامعة الافتراضية السورية SYRIAN VIRTUAL UNIVERSITY	الجمهورية العربية السورية
Ministry of Higher Education		وزارة التعليم العالي
Syrian Virtual University		الجامعة الافتراضية السورية

#### 4- Intended Learning Outcomes (ILO):

Code	Intended Learning Outcomes
ILO1	<ol style="list-style-type: none"> <li>1. To differentiate between local and international finance,</li> <li>2. To appreciate the reasons for the emergence of MNCs,</li> <li>3. To critically evaluate the methods of MNCs' entry to foreign markets as well as their special characteristics in comparison with local firms.</li> </ol>
ILO2	<ol style="list-style-type: none"> <li>1. To explain the history and status of foreign exchange market</li> <li>2. To distinguish between different accounts of the balance of payments</li> <li>3. To identify the factors that affect foreign exchange rates</li> <li>4. To describe the meaning of the "the law of one price" and its importance in international finance.</li> <li>5. To differentiate between the five international parity conditions</li> <li>6. To assess the five forecasting needs of multinational companies.</li> <li>7. To identify a five-step procedures for forecasting exchange rates in a fixed exchange rate system</li> <li>8. To list and describe how to forecast exchange rates in a floating exchange rate system</li> </ol>
ILO3	<ol style="list-style-type: none"> <li>1. To distinguish between different types of economic exposures</li> <li>2. To identify management methods of transaction exposures</li> <li>3. To select the suitable financial contract to hedge transaction exposure</li> <li>4. To identify sources of operation exposure</li> <li>5. To list management methods of operation exposure</li> <li>6. To recognize determinants of translation exposure</li> <li>7. To identify methods to hedge translation exposure</li> </ol>
ILO4	<ol style="list-style-type: none"> <li>1. To explain the main sources of corporate financing</li> <li>2. To distinguish between intermediation and securitization</li> <li>3. To illustrate different methods of international debt sourcing</li> <li>4. To compare between Eurobonds and Eurocurrency loans</li> <li>5. To differentiate between available instruments of equity financing</li> </ol>
ILO5	<ol style="list-style-type: none"> <li>1. To explore the alignment between corporate strategy and financial globalization</li> <li>2. To examine how the cost of equity capital changes in MNCs from domestic firms</li> <li>3. To show how cost of debt would change to accommodate MNCs.</li> <li>4. To explore if the cost of capital of MNCs is cheaper from that for domestic firms.</li> <li>5. To compare the weighted average cost of capital for a MNC with its domestic counterpart</li> <li>6. To illustrate the meaning of "pricing-to-market" phenomenon</li> <li>7. To explain the impact of cross-listing on the cost of equity capital</li> </ol>
ILO6	<ol style="list-style-type: none"> <li>1. To appreciate the benefits from international investing</li> <li>2. To illustrate barriers to international investing</li> <li>3. To compare methods of international investing</li> <li>4. To measure total returns from international investing</li> </ol>

Syrian Arab Republic	 الجامعة الافتراضية السورية SYRIAN VIRTUAL UNIVERSITY	الجمهورية العربية السورية
Ministry of Higher Education		وزارة التعليم العالي
Syrian Virtual University		الجامعة الافتراضية السورية

ILO7	<ol style="list-style-type: none"> <li>To highlight global trends in foreign direct investment</li> <li>To differentiate between different modes of entry to foreign markets</li> <li>To describe the common motives for establishing foreign direct investment.</li> <li>To illustrate barriers of foreign direct investment</li> <li>To explain the “Herfindhal- Hirschman (HHI)” and how it is computed</li> <li>To describe how host government encourage or discourage FDI</li> <li>To illustrate how MNCs can design global expansion strategy</li> </ol>
ILO8	<ol style="list-style-type: none"> <li>To appreciate the differences between project and parent cash flows</li> <li>To compare the capital budgeting analysis of an MNC’s subsidiary with that of its parent</li> <li>To distinguish between factors affecting the capital budgeting for MNC’s project and those of local projects.</li> <li>To apply capital budgeting for multinational projects</li> <li>To assess the profitability of foreign investments by identifying the incremental cash flows generated by these investments</li> <li>To contrast the net present value approach to real option analysis and to explain how to incorporate them in a capital budgeting analysis</li> <li>To integrate risk in the capital budgeting of multinational projects</li> </ol>
ILO9	The student evaluates the case of one MNC in managing FX exposure and entry methods to international markets and determine its financing sources.

**5- Course Syllabus** ( 12 hours of total Recorded Sessions , 24 hours of total synchronized sessions)

- **RS:** Recorded Sessions; **SS:** Synchronized Sessions;

ILO	Course Syllabus	RS	SS	Type	Additional Notes
ILO 1	<ul style="list-style-type: none"> <li>The position of “international finance” in Finance</li> <li>The emergence of international finance and MNCs</li> <li>International business methods</li> <li>The special characteristics of MNCs</li> </ul>	1.5	3	<input type="checkbox"/> Exercises <input type="checkbox"/> <b>Assignments</b> <input type="checkbox"/> Seminars <input type="checkbox"/> Projects <input type="checkbox"/> Practices <input type="checkbox"/> Others	1 <sup>st</sup> Assignment: Case study on MNC and a discussion of its status and business to understand its characters and challenges it faces
ILO 2	<ul style="list-style-type: none"> <li>Introduction</li> <li>Foreign Exchange Market</li> <li>Factors Affecting Exchange Rates</li> <li>Balance of Payments (BoP)</li> <li>Exchange Rate Risk</li> <li>International Parity Conditions</li> <li>Exchange Rate Forecasting</li> </ul>	1.5	3	<input type="checkbox"/> Exercises <input type="checkbox"/> <b>Assignments</b> <input type="checkbox"/> Seminars <input type="checkbox"/> Projects <input type="checkbox"/> Practices <input type="checkbox"/> Others	2 <sup>nd</sup> Assignment: Reading FX tables from the Financial Times (FT) and extracting spot and forward rates.
ILO 3	<ul style="list-style-type: none"> <li>Introduction</li> <li>Economic Exposure</li> <li>Transaction Exposure</li> </ul>	1.5	3	<input type="checkbox"/> Exercises <input type="checkbox"/> <b>Assignments</b> <input type="checkbox"/> Seminars	3 <sup>rd</sup> Assignment: Selecting the best method of hedging

<b>Syrian Arab Republic</b>	 الجامعة الافتراضية السورية SYRIAN VIRTUAL UNIVERSITY	الجمهورية العربية السورية
<b>Ministry of Higher Education</b>		وزارة التعليم العالي
<b>Syrian Virtual University</b>		الجامعة الافتراضية السورية

<b>ILO 9</b>	<ul style="list-style-type: none"> <li>• Management of Transaction Exposure</li> <li>• Operation Exposure</li> <li>• Management of Operation Exposure</li> <li>• Translation Exposure</li> <li>• Determinants of MNC's Translation Exposure</li> <li>• Management of Translation Exposure</li> </ul>			<input type="checkbox"/> Projects <input type="checkbox"/> Practices <input type="checkbox"/> Others	against transaction exposure
<b>ILO 4</b> <b>ILO 9</b>	<ul style="list-style-type: none"> <li>• Introduction</li> <li>• Corporate Sources of Funds</li> <li>• International Debt Markets</li> <li>• Bank Loans and Syndications</li> <li>• Euronote Market</li> <li>• International Bond Markets</li> <li>• International Equity Markets</li> <li>• Cross-listing</li> <li>• Depositary Receipts</li> <li>• Euroequities and Global Shares</li> </ul>	1.5	3	<input type="checkbox"/> Exercises <input type="checkbox"/> <b><u>Assignments</u></b> <input type="checkbox"/> Seminars <input type="checkbox"/> Projects <input type="checkbox"/> Practices <input type="checkbox"/> <b><u>Others (article discussion)</u></b>	4 <sup>th</sup> Assignment: exercises on identifying sources of finance of MNCs
<b>ILO 5</b> <b>ILO 9</b>	<ul style="list-style-type: none"> <li>• Introduction</li> <li>• Cost of Capital: Review</li> <li>• Cost of Capital for MNCs</li> <li>• Cost of Equity Capital</li> <li>• Cost of Debt Capital</li> </ul>	1.5	3	<input type="checkbox"/> <b><u>Exercises</u></b> <input type="checkbox"/> <b><u>Assignments</u></b> <input type="checkbox"/> <b><u>Seminars</u></b> <input type="checkbox"/> <b><u>Projects</u></b> <input type="checkbox"/> <b><u>Practices</u></b> <input type="checkbox"/> <b><u>Others (article discussion)</u></b>	5 <sup>th</sup> Assignment: exercises on computing the cost of capital
<b>ILO 6</b> <b>ILO 9</b>	<ul style="list-style-type: none"> <li>• Introduction</li> <li>• Benefits from International Investing</li> <li>• Barriers to International Investing</li> <li>• Methods of International Investing</li> <li>• Direct purchase of foreign stocks</li> <li>• Purchasing MNC stocks</li> <li>• Depositary receipts</li> <li>• Exchange-traded funds (ETFs)</li> <li>• International mutual funds</li> <li>• Measuring Total Returns from International Investing</li> </ul>	1.5	3	<input type="checkbox"/> <b><u>Exercises</u></b> <input type="checkbox"/> Assignments <input type="checkbox"/> Seminars <input type="checkbox"/> Projects <input type="checkbox"/> Practices <input type="checkbox"/> Others	6 <sup>th</sup> Assignment: Case study on a number of international investing methods (Portfolio Investing)

Syrian Arab Republic	 الجامعة الافتراضية السورية SYRIAN VIRTUAL UNIVERSITY	الجمهورية العربية السورية
Ministry of Higher Education		وزارة التعليم العالي
Syrian Virtual University		الجامعة الافتراضية السورية

<b>ILO 7</b> <b>ILO 9</b>	<ul style="list-style-type: none"> <li>• Introduction</li> <li>• Trends and Terminology</li> <li>• Methods of International Expansion</li> <li>• Motives for Foreign Direct Investment</li> <li>• Revenue-related Motives</li> <li>• Cost-related Motives</li> <li>• Barriers for Foreign Direct Investment</li> <li>• Designing a Global Expansion Strategy</li> </ul>	1.5	3	<input type="checkbox"/> Exercises <input type="checkbox"/> Assignments <input type="checkbox"/> Seminars <input type="checkbox"/> Projects <input type="checkbox"/> Practices <u>Others (article discussion)</u>	7 <sup>th</sup> Assignment: Case study on a number of international expansion methods + Discussion of published article in peer reviewed journal on determinants of FDI to one country.
<b>ILO 8</b> <b>ILO 9</b>	<ul style="list-style-type: none"> <li>• Introduction</li> <li>• Subsidiary versus parent perspective</li> <li>• Inputs for Multinational Capital Budgeting</li> <li>• Real Option Analysis in Multinational Capital Budgeting</li> <li>• Adjusting Project Valuation for Risk</li> </ul>	1.5	3	<input type="checkbox"/> <u>Exercises</u> <input type="checkbox"/> <u>Assignments</u> <input type="checkbox"/> Seminars <input type="checkbox"/> Projects <input type="checkbox"/> Practices <input type="checkbox"/> Others	8 <sup>th</sup> Assignment: an exercise on evaluating a project of MNC

## 6- Assessment Criteria (Related to ILOs)

ISC	Interactive Synchronized Collaboration	Ex	Exams	Rpt	Reports
PF2F	Presentations and Face-to-Face Assessments	PW	Practice Work		

ILO Code	ILO	Intended Results	Assessment Type				
			ISC	PW	Ex	PF2F	Rpt
ILO1	The student differentiates between international and national finance and understands the emergence of MNCs and their role in the international economy as well as their special characteristics in comparison with national companies.	The student analyses precisely through discussions with the lecturer theories that explain the emergence of MNCs	X				

<b>Syrian Arab Republic</b>	 SVU الجامعة الافتراضية السورية SYRIAN VIRTUAL UNIVERSITY	الجمهورية العربية السورية
<b>Ministry of Higher Education</b>		وزارة التعليم العالي
<b>Syrian Virtual University</b>		الجامعة الافتراضية السورية

		Understand the specialties of MNCs	X		X		
<b>ILO2</b>	The student understands the role of FX market in international Finance. The student can read FX newspapers and differentiate between spot and forward FX prices and understands FX theories and the relationship between interest rates and inflation rates and spot and forward FX prices. The student distinguishes between forecasting FX in fixed vs. floating FX systems.	Can read FX tables	X	X			
		Apply FX theories in forecasting FX rates and correctly distinguish between them	X		X		X
<b>ILO3</b>	The student recognizes different FX exposures that MNCs face and master their hedging methods and can choose the best ones.	The student links between exposure and FX market and applies knowledge in hedging FX exposure	X		X		
		The student remember main topics in the content			X		X
<b>ILO4</b>	The student distinguishes between different financing sources of MNCs vs. national companies	The student analyses case studies & discusses through case study different financing sources	X		X		
		Remember the content through answering direct & indirect questions	X		X		X
<b>ILO5</b>	The student realizes differences in computing the cost of capital of MNCs compared to national companies.	The student analyses case studies & discusses the computing of cost of capital	X		X		
		Remember the content through	X		X		X

Syrian Arab Republic	 الجامعة الافتراضية السورية SYRIAN VIRTUAL UNIVERSITY	الجمهورية العربية السورية
Ministry of Higher Education		وزارة التعليم العالي
Syrian Virtual University		الجامعة الافتراضية السورية

		answering direct & indirect questions					
<b>ILO6</b>	The student knows different international investing methods	The student understands entry methods through discussions with lecturer and realizes different types of international portfolio investment	X		X		X
<b>ILO7</b>	The student understands the special characteristics of MNCs, and selects the best method based on firm's characteristics. The student can differentiate between FDI and international portfolio.	The student understands FDI revenue and cost related motives as well as barriers of FDI. They can formulate the MNC's expansion strategy	X		X		X
<b>ILO8</b>	The student can evaluates MNCs projects	The student analyses through discussions with lecturer similarities & differences between evaluation of national and international projects	X		X		X
<b>ILO9</b>	The student evaluates the case of one MNC in managing FX exposure and entry methods to international markets and determine its financing sources.	The student applies the acquired knowledge on a case study that cover all studied topics					X

## 7- Practice Tools:

Tool Name	Description

Syrian Arab Republic	 الجامعة الافتراضية السورية SYRIAN VIRTUAL UNIVERSITY	الجمهورية العربية السورية
Ministry of Higher Education		وزارة التعليم العالي
Syrian Virtual University		الجامعة الافتراضية السورية

## 8- Main References

- 1- Madura, Jeff (2017) International Financial Management, Cengage Learning.
- 2- Eiteman, David K.; Stonehill, Arthur I.; Moffett, Michael H.(2016) Multinational Business Finance, Series: The Pearson series in finance, Pearson.
- 3- Shapiro, Alan (2013) International Financial Management, Wiley.

## 9- Additional References

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