BUS 331: International Finance

Instructor: Dr. Keli Xiao
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Office Hours: Tuesday 5:30pm – 6:30pm
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Time: Tuesday 7:00pm – 9:50pm
Classroom: PHYSICS P113

Course Description:

This course can be split into two parts: review of corporate finance and international finance. In the first part, we will focus on the basic concepts of finance, including the time value of money, valuing future cash flows, valuing bonds and stocks, the fundamental trade-off between risk and return, and the international financial environment. In the second part, we will focus on the foreign exchange market, international banking and money market, and other international investment markets. In addition, after this course, you will be expected to know how to use a financial calculator and solve valuation problems using Excel.

Text Book:


(Notes: I will use the above two books to teach the class. These books are not required to pass the course but if you study better with a textbook please find one. Old editions are fine.)

Course Grading:
1. Class Attendance and Participation 10%
2. Homework 20%
3. Midterm Exam 35%
4. Final Exam 35%

(Notes: I will give you a review session before each exam. No makeup exams will be offered! However, you may have extra-credit questions in the exams.)

Main Topics:

Basic Finance (Ross and Westerfield)

1. The Overview of Financial Management (Chapter 1)
2. Valuation of Future Cash Flows (Chapter 4 - Chapter 5)
3. Valuation of Stocks and Bonds. (Chapter 6 - Chapter 7)
4. Capital Budgeting (Chapter 8 - Chapter 9)
5. Risk and Return (Chapter 10 - Chapter 11)
6. Financing (Long-term and short-term) (Chapter 12, 13, 16)

International Finance (Eun and Resnick)

1. Foundations of International Financial Management (Chapter 1 – Chapter 4)
   a. Introduction to International Financial Management
   b. The overview of the international monetary system, which defines an environment in which multinational corporations and international investors operate.
   c. Balance of Payments
2. The Foreign Exchange Market (Chapter 5 and Chapter 6)
   a. Introduction to the market for foreign exchange. Broadly defined, the foreign exchange market encompasses the conversion of purchasing power from one currency into another, bank deposits of foreign currency, the
extension of credit denominated in a foreign currency, foreign trade financing, and trading in foreign currency options and futures contracts.

b. The key international parity relationships and two related issues, exchange rate determination and prediction. A thorough understanding of parity relationships is essential for astute financial management.

3. International Banking and Money Market (Chapter 11)

a. The topics of international banking, the international money market, the Third World debt crisis, and the recent global financial crisis are discussed.

4. International Bond and Equity Markets (Chapter 12 and Chapter 13)

a. Introduces and discusses the international bond market. The chapter presents a statistical perspective of the market, noting its size, an analysis of the market segments, the types of instruments issued, the major currencies used to denominate international bonds, and the major borrowers by nationality and type. Trading practices of the Eurobond market are examined, as are credit ratings for international bonds and international bond market indexes.

5. World financial institutions and International Portfolio Investment (Chapter 14 - 15)

a. Currency and interest rate swaps. The discussion details how swaps might be used and the risks associated with each.

b. The gains from international portfolio diversification, which emerged as a major form of cross-border investment in the 1980s, rivaling foreign direct investment by firms.

Additional Information

- Make-Up Policy: NO MAKE-UP EXAMS OR ASSIGNMENTS WILL BE GIVEN. If a student misses an exam or assignment, he/she will receive a zero for that portion of the grade. In cases of emergencies student should notify the professor prior to the exam. Any student who calls or arrives after the exam has been administered and says they have missed the exam will receive a zero. All deadlines will be strictly enforced--no exceptions.

- Professionalism: The College of Business is a professional school. Students are expected to conduct themselves in a professional manner. Therefore, you should be: (1) prompt to class, (2) prepared, (3) willing to contribute to student efforts, and (4) respectful and courteous to peers and faculty. Violations of professionalism will result in reduction of your grade at the discretion of the professor.

- Policies and Procedures Governing Undergraduate Academic Dishonesty defines academic dishonesty as any act that is designed to obtain fraudulently, either for oneself
or for someone else, academic credit, grades, or other recognition that is not properly earned. Examples relevant to this course include cheating on quizzes, copying materials from books, periodicals, the Internet, another student’s paper, etc. without proper use of quotation marks and references to the source. Academic dishonesty will be punished to the maximum extent permitted by University regulations. The minimum penalty is usually a failing grade in the course.

- Cheating: Plagiarism and other forms of cheating will not be tolerated. Anyone who is caught cheating will be disciplined according to the COB academic dishonesty policy. Exceptions will not be made for graduation status or magnitude/type of dishonesty.

- If you have a physical, psychological, medical, or learning Disability that may impact your course work, please contact: Disability Support Services at (631) 632-6748 or http://studentaffairs.stonybrook.edu/dss/. They will determine with you what accommodations are necessary and appropriate. All information and documentation is confidential.

- Students who require assistance during emergency evacuation are encouraged to discuss their needs with their professors and Disability Support Services. For procedures and information go to the following website: http://www.sunysb.edu/ehs/fire/disabilities.shtml