CIEE Global Institute - Rome

Course name: International Finance
Course number: (GI) BUSI 3001 ROIT
Programs offering course: Rome Open Campus (Business Track)
Language of instruction: English
U.S. Semester Credits: 3
Contact Hours: 45
Term: Spring 2020

Course Description

This course provides students with an overview of the dynamics of the global financial and international monetary systems. Students develop knowledge of the fundamental concepts needed to understand foreign direct investment, financial flows, international trade and investment deals. As political risk and economic exposure to global events have become more immediate, special attention will be given to the 2007-2012 world banking crisis, the role of central banks in stabilization of national economies, the European debt crisis, and the specific economic challenges suffered by nations of southern Europe, including Italy. Alternative views and policy measures to help struggling economies overcome economic and financial crisis - like contracting (or expanding) government spending – as developed by the EU, and the US, accordingly will be assessed and critically analyzed.

Learning Objectives

By the end of the course, students will be able to:

- Understand basic financial concepts and their application to the very intricate web of international economic and financial transactions.
- Discuss the determinants of international financial transactions and their consequences in the present-world economic and financial order.
- Comprehend the decisions taken by various agents (governments, multinational corporations, public and private banks) and how these interact in the international financial markets.
- Read and analyze economic and market indicators for a better understanding of the world panorama of economics and finance.
- Apply these indicators and criteria to financial decisions taken within multinational corporations for effective governance.

Course Prerequisites

Previous coursework in microeconomics, macroeconomics and international economics (which should include the basics of international trade) are course prerequisites. This course is not suitable for students with no previous economics classes.

Methods of Instruction

This course will combine lectures, class exercises and fieldtrips.
Assessment and Final Grade

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Exam #1</td>
<td>20%</td>
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<tr>
<td>Exam #2</td>
<td>20%</td>
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<tr>
<td>Exam #3</td>
<td>20%</td>
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<tr>
<td>Spreadsheet Assignment</td>
<td>15%</td>
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<tr>
<td>Field Trip Assignment</td>
<td>5%</td>
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<tr>
<td>Class Participation</td>
<td>20%</td>
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Course Requirements

Exams
Students will take three exams with each covering approximately one-third of the course material. Exams are not cumulative. Each exam consists of multiple-choice questions and several multi-part calculation problems.

Spreadsheet Assignment
Students will be given an assignment to be completed in Excel and due on the last day of the course. Details of the assignment will be posted on Canvas and explained in class. The assignment is designed to test and improve students’ ability to communicate financial information concisely and clearly. No late assignments will be accepted. Rubrics will be used to assess each assignment.

Field Trip Assignment
Students will be given detailed instructions to complete a data gathering exercise around Rome. Students will then be required to present a brief, written report on the results of their activities.

Participation
Participation is valued as meaningful contribution in the digital and tangible classroom, utilizing the resources and materials presented to students as part of the course. Meaningful contribution requires students to be prepared in advance of each class session and to have regular attendance. Students must clearly demonstrate they have engaged with the materials as directed, for example, through classroom discussions, online discussion boards, peer-to-peer feedback (after presentations), interaction with guest speakers, and attentiveness on co-curricular and outside-of-classroom activities.

Attendance Policy
Regular class attendance is required throughout the program, and all unexcused absences will result in a lower participation grade for any affected CIEE course. Due to the intensive schedules for Open Campus and Short Term programs, unexcused absences that constitute more than 10% of the total course will result in a written warning.

Students who transfer from one CIEE class to another during the add/drop period will not be considered absent from the first session(s) of their new class, provided they were marked present for the first session(s) of their original class. Otherwise, the absence(s) from the original class carry over to the new class and count against the grade in that class.
For CIEE classes, excessively tardy (over 15 minutes late) students must be marked absent. Attendance policies also apply to any required co-curricular class excursion or event, as well as to Internship, Service Learning, or required field placement. Students who miss class for personal travel, including unforeseen delays that arise as a result of personal travel, will be marked as absent and unexcused. No make-up or re-sit opportunity will be provided.

Attendance policies also apply to any required class excursion, with the exception that some class excursions cannot accommodate any tardiness, and students risk being marked as absent if they fail to be present at the appointed time.

Unexcused absences will lead to the following penalties:

<table>
<thead>
<tr>
<th>Percentage of Total Course Hours Missed</th>
<th>Equivalent Number of Open Campus Semester classes</th>
<th>Minimum Penalty</th>
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<tbody>
<tr>
<td>Up to 10%</td>
<td>1 content classes, or up to 2 language classes</td>
<td>Participation graded as per class requirements.</td>
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<tr>
<td>10 – 20%</td>
<td>2 content classes, or 3-4 language classes</td>
<td>Participation graded as per class requirements; <strong>written warning</strong></td>
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<tr>
<td>More than 20%</td>
<td>3 content classes, or 5 language classes</td>
<td>Automatic <strong>course failure</strong>, and possible expulsion</td>
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Please note this schedule is subject to change if opportunities arise to enhance the curriculum

**Weekly Schedule**

**Week 1**

**Introduction to the course and International Trade**
During this week students will be given the course requirements and will learn the benefits of international trade and how trade balances are recorded. Trade surpluses and deficits and their effects on country finances and politics will be discussed.

**Class 1:1**

Syllabus will be presented and reviewed, with emphasis on assessment methods and course requirements.

**Comparative Advantage**

Comparative Advantage, Multinational Businesses

**Balance of Payments**

Balance of Payments Accounting, Capital Mobility

Reading 1: *The Theory of Comparative Advantage*
Reading 2: *The Balance of Payments*

**Week 2**

**International Monetary System and Cultural Influences**
During this week students will learn the fundamentals of foreign exchange markets and the International Monetary System. The topics will include the history of the current exchange rate regime, the importance of exchange rates. The impact of cultural differences on the development of company structures and approach to international trade will be covered as well.

Class 2:1

**International Monetary System**
Currency Terminology, Currency Regimes, Euro

**Corporate Governance**
Goals of Management, Corporate Governance

Reading 3: *The International Monetary System*
Reading 4: *Corporate Governance*

Class 2:2

**Foreign Exchange Market**
Foreign Exchange Market, Participants

**Global Financial Crises**
Reading 5: *The International Monetary System*

Week 3

**International Parity Conditions & Foreign Currency Derivatives**
During this week discussion will focus on the factors determining exchange rates. These include the theories of Purchasing Power Parity and Interest Rate Parity. The mechanics and influence of arbitrage opportunities will be analyzed. Foreign Currency Derivatives and their importance in reducing risk will be covered as well.

Class 3:1

**International Parity Conditions**
Purchasing Power Parity, Exchange Rate Pass Through, Covered Interest Arbitrage

Reading 6: *International Parity Conditions*

Class 3:2

**Exam #1**

Class 3:3

**Foreign Currency Options**
Put and Call Options

**Interest Rate and Currency Swaps**
Interest Rate Risk, Foreign Currency Swaps

Reading 7: *Foreign Currency Options*
Reading 8: *Interest Rate Risk and Swaps*
Week 4  Hedging Strategies
During this week the class will cover strategies that multinational corporations employ to reduce their risk. These include several Transaction Exposure methods to protect specific transactions as well as Operating Exposure to reduce ongoing exposure.

Class 4:1  Field Trip
Details posted on Canvas

Class 4:2  Transaction Exposure
Foreign Exchange Exposure, Hedging Strategies

Translation Exposure
Reading 9: Transaction Exposure

Class 4:3  Operating Exposure
Operating Exposure Hedging Strategies

Reading 10: Operating Exposure

Week 5  Global Financial Crisis and International Investing
During this week the causes and effects of the Global Financial Crisis that began in the United States will be examined. The benefits and risks of international financing and investing will covered as well.

Class 5:1  Exam #2

Class 5:2  Global Financial Crisis
Subprime Debt, Securitization, Financial Crisis of 2008-2009

Class 5:3  Cost of Capital
Weighted Average Cost of Capital, Eurocurrency Markets,

International Debt
Borrowing Abroad

Reading 11: International Debt

Due date for submission of Field Trip Assignment

Week 6  Multinational Tax Management
During this week students will learn about the unique challenges of repatriating profits that multinational firms face and the techniques used to reduce financial and political costs.

Class 6:1
**International Investing**
Diversification, Exchange Rate Risk

Reading 12: *International Investing*

Class 6:2
**Multinational Tax Management. Review**
Repatriating Funds, Transfer Pricing, Unbundling

Class 6:3
**Exam #3**

Due date for submission of Spreadsheet Assignment

**Course Materials**

Several in-class exercises will be provided by the professor during classtime.

**Readings**


Madura, J., International Financial Management, Canada, Cencage, 2010

**Online Resources**

European central bank: options on Italy

International New York Times: Clouds seen in regulators’ crystal ball for banks
Market Psych: Sentiment Data in the Foreign Exchange Markets:  

The LIBOR scandal, the rotten heart of finance:  http://www.economist.com/node/21558281

Further reading materials will be assigned on a week-by-week basis.  
Professor will provide a complete list of complementary readings, media sources and articles  
published in national and international media in order to stimulate class debates and activities.

**Case Studies**
- Basel II: Assessing the Default and Loss Characteristics of Project Finance Loans (A)  
- BlueOrchard Finance: Connecting Microfinance to Capital Markets  
- Ethics in Finance  
- Government Policy and Clean-Energy Finance  
- Santander Consumer Finance  
- Can the Eurozone survive?

**Media Resources**
- N/A