

Hong Kong University of Science & Technology

International Finance (FINA342)

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Consultation hours: by appointment

Lecture: Tuesdays & Thursday 4:30 – 5:50pm, Room 2406

COURSE DESCRIPTION

The course introduces the fundamental concepts in the study of global finance. Topics such as balance of payments, parity conditions and theory of exchange rate determination, risk exposure of multinational companies will be covered. The conceptual framework used in international financial management such as multinational capital budgeting, international portfolio diversification will also be discussed.

PREREQUISITES

The prerequisite for this course is the FINA 221 or equivalent.

REQUIRED READING MATERIALS

1. Textbook

M Moffett, A Stonehill & D Eiteman, **Fundamentals of Multinational Finance** (2nd edition), Pearson;

2. Reference

Eun & Resnick, **International Financial Management** (4th edition), McGraw Hill.

Evaluation

The course evaluation is as follows:

Assignments	20%
Midterm exam	25%
Final exam	55%

Assignments

Most of the assignments will be the end-of-chapter exercises of the textbook. There will be 2-3 assignments.

Examinations

There will be a mid-term and final examination. They will comprise MC, short questions and long questions. Short questions test simple calculations and concepts. Long questions require analysis.

COURSE OUTLINE

- Week 1** **Introduction**
Reading: MSE Chapter 1, 2;
- Week 2** **Balance of Payments**
Reading: MSE Chapter 3,
- Week 3** **Foreign Exchange Theory**
Reading: MSE Chapter 4,
- Week 4** **Foreign Exchange Rate Determination**
Reading: MSE Chapter 5,
- Week 5** **Foreign Exchange Market**
Reading: MSE Chapter 6,
- Week 6** **Foreign Exchange Exposure**
Reading MSE Chapter 8,
- Week 7** **Mid-term**
- Week 8** **Foreign Exchange Exposure**
Reading: M&E Chapter 9
- Week 9** **Foreign Exchange Exposure**
Reading: M&E Chapter 10,
- Week 10** **International Portfolio Theory**
Reading: MSE Chapter 15,
- Week 11** **Foreign Direct Investment**
Reading: MSE Chapter 16
- Week 12** **Multinational Capital Budgeting**
Reading: MSE Chapter 18
- Week 13** **Foreign Currency Derivatives**
Reading: MSE Chapter 7
- Week 14** **Interest Rate and Currency Swaps**
Reading: MSE Chapter 14