FINM8007
Topics in International Finance

Course Description

This course is designed to provide students with the theoretical and analytical skills necessary to understand and evaluate key financial issues in the international finance and capital markets. Students will be introduced to fundamental principles of international financial management, and also become familiar with financial hedging strategies. Main topics include the international money market, international banking, exchange rate determination and purchasing power parity, effects of financial globalization, as well as financial risk management methodologies.

<table>
<thead>
<tr>
<th>Semester and Year</th>
<th>S2 2017</th>
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<tbody>
<tr>
<td>Course URL</td>
<td><a href="http://programsandcourses.anu.edu.au/2016/course/FINM8007">http://programsandcourses.anu.edu.au/2016/course/FINM8007</a></td>
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<tr>
<td>Mode of Delivery</td>
<td>On campus – Lectures on Tuesday and Thursday</td>
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<tr>
<td>Prerequisites</td>
<td>FINM7006 and STAT7055</td>
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<tr>
<td>Course Convener</td>
<td>Dr. Ding Ding</td>
</tr>
<tr>
<td>Office Location</td>
<td>Room 4.17, CBE Building</td>
</tr>
<tr>
<td>Phone</td>
<td>02 6125 7286</td>
</tr>
<tr>
<td>Email</td>
<td><a href="mailto:ding.ding@anu.edu.au">ding.ding@anu.edu.au</a></td>
</tr>
<tr>
<td>Consultation hours</td>
<td>Wednesdays 15:00-17:00</td>
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<tr>
<td>Bio and research interests</td>
<td>Ding Ding earned her Ph.D., MFE, and Honours B.Sc. from the University of Toronto. Her research interests are in Corporate Finance and Behavioural Finance. In addition to being interested in finance academically, she has worked as a risk management economist and also a corporate finance consultant.</td>
</tr>
<tr>
<td>Student Administrators</td>
<td>Colleen Lee Room 4.48, CBE Building 26C <a href="mailto:Colleen.Lee@anu.edu.au">Colleen.Lee@anu.edu.au</a></td>
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COURSE OVERVIEW

Course Learning Outcomes
At the end of the course, students should achieve these learning objectives (LO):

- LO1: Express an understanding of key international finance concepts and their application in international financial markets;
- LO2: Demonstrate skills involving collection, interpretation and critical analysis of international financial data.
- LO3: Demonstrate various skills to analyse the business and risks for businesses operating in the global environment.

Research-Led Teaching
Students will acquire the following research skills in this course:

- Link and apply the theoretical concepts discussed in this course to real world issues;
- Develop basic research skills and learn to obtain relevant, up-to-date information;
- Be able to analyse and interpret current information, and turn it into knowledge;
- Present, discuss and defend a point of view.

Continuous Improvement
We use feedback from students, professional bodies and staff to make regular improvements to the course. As such, students are encouraged to provide feedback in the manner described in the “Student Feedback” section of the outline.

Technology, Software, Equipment
There is no required software for this course. Students will need a scientific non-programmable calculator.

Requisites
Some parts of the course build upon material covered in FINM1001/FINM7006 (Foundations of Finance) and STAT7055 (Introductory Statistics for Business and Finance), which are prerequisites for FINM8007.

Staff Feedback
Students will be given feedback in the following forms in the course:

- Written and verbal comments as feedback to the whole class, to groups, to individuals

Student Feedback
All CBE courses are evaluated using Student Experience of Learning and Teaching (SELT) surveys, administered by Planning and Statistical Services at the ANU. These surveys are offered online, and students will be notified via email to their ANU address when surveys are available in each course. Feedback is used for course development so please take the time to respond thoughtfully. Course feedback is anonymous and provides the Colleges, University Education Committee and Academic Board with opportunities to recognise excellent teaching and to improve courses across the university. For more information on student surveys at ANU and reports on feedback provided on ANU courses, visit http://unistats.anu.edu.au/surveys/seft/students/ and http://unistats.anu.edu.au/surveys/seft/results/learning/
### COURSE SCHEDULE

<table>
<thead>
<tr>
<th>Week</th>
<th>Summary of Activities</th>
<th>Assessment</th>
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</thead>
<tbody>
<tr>
<td><strong>Topic 1: The International Financial Environment</strong></td>
<td></td>
<td></td>
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<tr>
<td>1</td>
<td><strong>Introduction to International Finance</strong>&lt;br&gt;Foreign Exchange Markets&lt;br&gt;Lecture slides&lt;br&gt;Eun and Resnick (7th edition) Chapter 5&lt;br&gt;Additional readings may be assigned, check Wattle for updates.</td>
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<tr>
<td>2</td>
<td><strong>Balance of Payments</strong>&lt;br&gt;Lecture slides&lt;br&gt;Eun and Resnick (7th edition) Chapter 3&lt;br&gt;Additional readings may be assigned, check Wattle for updates.</td>
<td>Groups formed by 5pm on Wednesday</td>
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<tr>
<td><strong>Topic 2: FOREX Market and Exchange Rate Determination</strong></td>
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<tr>
<td>3</td>
<td><strong>Exchange rate determination</strong>&lt;br&gt;Lecture slides&lt;br&gt;Eun and Resnick (7th edition) Chapter 6&lt;br&gt;Additional readings may be assigned, check Wattle for updates. &lt;br&gt;Practice Questions and Exercises</td>
<td>Briefings commence</td>
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<tr>
<td>4</td>
<td><strong>International parity conditions</strong>&lt;br&gt;Lecture slides&lt;br&gt;Eun and Resnick (7th edition) Chapters 5 &amp; 6&lt;br&gt;Additional readings may be assigned, check Wattle for updates.&lt;br&gt;Practice Questions and Exercises</td>
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<tr>
<td>5</td>
<td><strong>Arbitrage and speculation</strong>&lt;br&gt;Lecture slides&lt;br&gt;Eun and Resnick (7th edition) Chapter 6&lt;br&gt;Additional readings may be assigned, check Wattle for updates.&lt;br&gt;Practice Questions and Exercises</td>
<td>Quiz</td>
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<tr>
<td><strong>Topic 3: FX Exposure and Risk Management</strong></td>
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<tr>
<td>6</td>
<td><strong>Foreign exchange risk management</strong>&lt;br&gt;Lecture slides&lt;br&gt;Eun and Resnick (7th edition) Chapters 7, 8, 9 &amp; 10&lt;br&gt;Additional readings may be assigned, check Wattle for updates.&lt;br&gt;Practice Questions and Exercises</td>
<td>Mid-semester on Week 6 or 7, by Central Timetabling</td>
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<td></td>
<td><strong>Sep 5 – Sep 15: Non-Teaching Period</strong></td>
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| 7 | **International portfolio theory and diversification**  
Lecture slides  
Eun and Resnick (7th edition) Chapter 15  
Additional readings may be assigned, check Wattle for updates.  
Practice Questions and Exercises | Mid-semester on Week 6 or 7, by Central Timetabling |
|---|---|
| 8 | **International banking and money market**  
Lecture slides  
Eun and Resnick (7th edition) Chapter 11  
Additional readings may be assigned, check Wattle for updates.  
Practice Questions and Exercises |
| 9 | **International bond market**  
Lecture slides  
Eun and Resnick (7th edition) Chapter 12  
Additional readings may be assigned, check Wattle for updates.  
Practice Questions and Exercises |
| 10 | **International debt and equity market**  
Lecture slides  
Eun and Resnick (7th edition) Chapters 12 & 13  
Additional readings may be assigned, check Wattle for updates.  
Practice Questions and Exercises |
| 11 | **Sourcing equity globally**  
Lecture slides  
Eun and Resnick (7th edition) Chapters 12 & 13  
Additional readings may be assigned, check Wattle for updates.  
Practice Questions and Exercises |
| 12 | **Investing in international equities & Final review**  
Lecture slides  
Eun and Resnick (7th edition) Chapters 12 & 13  
Additional readings may be assigned, check Wattle for updates.  
Practice Questions and Exercises |
COURSE ASSESSMENT

Assessment Summary

<table>
<thead>
<tr>
<th>Item</th>
<th>Title</th>
<th>Value</th>
<th>Due Date</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Quiz</td>
<td>1%</td>
<td>Week 5</td>
</tr>
<tr>
<td>2</td>
<td>Weekly Briefings</td>
<td>9%</td>
<td>Commencing Week 3</td>
</tr>
<tr>
<td>3</td>
<td>Mid-Semester Exam</td>
<td>30%</td>
<td>Week 6 or 7, by Central Timetabling</td>
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<tr>
<td>4</td>
<td>Final Exam</td>
<td>60%</td>
<td>Scheduled by Central Timetabling</td>
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Group Formation
Students will form groups to perform Tasks 1 and 2. Group size will vary between 3 to 6 members, depending on the final enrolment number. Groups must be formed and members enrol themselves into groups on Wattle by 5pm, Wednesday of Week 2.

Assessment Task 1: Quiz (1%)
Details of task:
A quiz administered either online through Wattle or in-class during Week 5. The quiz could be a combination of multiple choice questions and short-answer questions. Coverage is cumulative from Week 1. Result of the quiz will be returned by the end of Week 5.

Assessment Task 2: Weekly market briefings (9%)
Details of task:
Beginning from Week 3, groups will present a topic of interest to the class during each lecture. Groups can present a topic of their own choice, with the only criteria that it is related to international finance and it is current (an event covered in the news from the week prior to the date of presentation). Each group will present once in the semester. Additional information will be discussed in Week 1’s lecture.

Assessment Task 3: Mid-Semester Exam (30%)
Details of task:
The 2-hour mid-semester examination will be based on material covered from Week 1 up to and including the week before the week of the exam. It is worth 30% of the overall course grade. The exam is closed-book, cumulative, and comprehensive; it will include a mixture of theoretical and numerical questions. The exam will be scheduled for either Week 6 or 7 and is centrally timetabled by ANU Timetabling Division. The estimated return date is 2 weeks after the mid-semester exam.

Mid-semester exams are redeemable and optional for this course. No deferred mid-semester examinations will be offered, instead the weighting will be moved to the final exam.

Assessment Task 4: Final Examination (60%)
Details of task: The final examination will be based on all the work covered throughout the duration of the semester. The final examination is worth 60% of the overall course grade. The exam is closed-book, cumulative, and comprehensive; it will include a mixture of theoretical and numerical questions. The exam time is centrally timetabled by ANU Timetabling Division.

ASSESSMENT REQUIREMENTS

For any submitted reports, the ANU is using Turnitin to enhance student citation and referencing techniques, and to assess assignment submissions as a component of the University’s approach to managing Academic Integrity. For additional information regarding Turnitin please visit the ANU Online website.
Students may choose not to submit assessment items through Turnitin. In this instance you will be required to submit, alongside the assessment item itself, copies of all references included in the assessment item.

**As a further academic integrity control, students may be selected for a 15 minute individual oral examination of their written assessment submissions.**

Any student identified, either during the current semester or in retrospect, as having used ghost writing services will be investigated under the University’s Academic Misconduct Rule.

**Extensions and Penalties**

No submission of assessment tasks after the due date will be permitted. If an assessment task is not submitted by the due date, a mark of 0 will be awarded.

**Scaling**

Your final mark for the course will be based on the raw marks allocated for each assignment or examination. However, your final mark may not be the same number as produced by that formula, as marks may be scaled. Any scaling applied will preserve the rank order of raw marks (i.e. if your raw mark exceeds that of another student, then your scaled mark will exceed or equal the scaled mark of that student), and may be either up or down.

**READING LISTS**

**Main Text**


Most of the course comprises of material from Eun and Resnick (2014); for specific chapters assigned for each topic, refer to the weekly Study Schedule and Wattle. The lectures will follow the text fairly closely but may include additional materials (journal articles, specialized reports, etc) that are not available in the text. Additional readings may be assigned and details will be provided on the course website.

**Due to recent developments in the field of international finance, many topics in the textbook have been updated to reflect the latest changes. As such, earlier editions of the textbook are not recommended.**

**Recommended Texts**

The following texts are also useful alternative references:


For students who need a review of probability and statistics, the following recommended reading is available from the library:


**Note:** Due to copyright restrictions, Study Guides and/or Solutions to the questions in the textbooks cannot be provided via email or on Wattle.

**TUTORIAL AND/OR SEMINAR REGISTRATION**

There are no separate tutorials for this course.
COMMUNICATION

Students can contact the lecturer via email (ding.ding@anu.edu.au). I will reply to legitimate email inquiries from students within two working days. If you do not receive a reply within this period, resubmit your question(s). Please note that emails in the last 24 hours before an examination will NOT be answered.

Each email message must include in the “subject” the course number (FINM8007S2) and a concise and clear statement of purpose — otherwise it will be ignored, along with spam messages. In each email, please include your full name and your student number in your message. Please note that some email servers (such as hotmail) can be unreliable in both sending and receiving messages. Students must ensure that their messages do not include language or logos or reply email addresses that may be offensive.

Where a question cannot be answered easily or briefly with a reply email, I will indicate to the student that s/he should see me during the announced consultation hours. I will not explain concepts or the like via email under any circumstance. I strongly encourage you to ask questions during class or consultation hours.

Email
If necessary, the lecturer for this course will contact students on their official ANU student email address. Information about your enrolment and fees from the Registrar and Student Services’ office will also be sent to this email address.

Announcements
Students are expected to check the Wattle site for announcements about this course, e.g. changes to timetables or notifications of cancellations. Notifications of emergency cancellations of lectures or tutorials will be posted on the door of the relevant room.

Course URLs
More information about this course may be found on:

- Programs and Courses (http://programsandcourses.anu.edu.au/2017/Catalogue)
- College of Business and Economics website (http://cbe.anu.edu/courses) and
- Wattle (https://wattle.anu.edu.au), the University's online learning environment. Log on to Wattle using your student number and your ISIS password.

POLICIES
The University offers a number of support services for students. Information on these is available online from http://students.anu.edu.au/studentlife/

ANU has educational policies, procedures and guidelines, which are designed to ensure that staff and students are aware of the University’s academic standards, and implement them. You can find the University’s education policies and an explanatory glossary at: http://policies.anu.edu.au/

Students are expected to have read the Student Academic Integrity Policy before the commencement of their course.

Other key policies include:

- Student Assessment (Coursework)
Privacy Notice
The ANU has made a number of third party, online, databases available for students to use. Use of each online database is conditional on student end users first agreeing to the database licensor’s terms of service and/or privacy policy. Students should read these carefully.

In some cases student end users will be required to register an account with the database licensor and submit personal information, including their: first name; last name; ANU email address; and other information.

In cases where student end users are asked to submit ‘content’ to a database, such as an assignment or short answers, the database licensor may only use the student’s ‘content’ in accordance with the terms of service – including any (copyright) licence the student grants to the database licensor.

Any personal information or content a student submits may be stored by the licensor, potentially offshore, and will be used to process the database service in accordance with the licensors terms of service and/or privacy policy.

If any student chooses not to agree to the database licensor’s terms of service or privacy policy, the student will not be able to access and use the database. In these circumstances students should contact their lecturer to enquire about alternative arrangements that are available.

SUPPORT FOR STUDENTS
The University offers a number of support services for students. Information on these is available online from http://students.anu.edu.au/studentlife/

Required Resources
Commonwealth supported students and domestic full-fee paying students generally must be able to complete the requirements of their program of study without the imposition of fees that are additional to the student contribution amount or tuition fees.

Provided that its payment is in accordance with the Act, a fee is of a kind that is into any one or more of the following categories:
(a) It is a charge for a good or service that is not essential to the course of study.
(b) It is a charge for an alternative form, or alternative forms, of access to a good or service that is an essential component of the course of study but is otherwise made readily available at no additional fee by the higher education provider.
(c) It is a charge for an essential good or service that the student has the choice of acquiring from a supplier other than the higher education provider and is for:
   (i) equipment or items which become the physical property of the student and are not consumed during the course of study; or
   (ii) food, transport and accommodation costs associated with the provision of field trips that form part of the course of study.
(d) It is a fine or a penalty provided it is imposed principally as a disincentive and not in order to raise revenue or cover administrative costs.
**Examination material or equipment**
A non-programmable calculator and an approved paper-based dictionary may be allowed in the exams.