Today’s financial environment is heavily influenced by globalization, information technology, and geopolitics. Relatively recent global financial developments include: the American Credit Crisis of 2008; followed by the Eurozone Sovereign Debt Crisis commencing in 2009; implementation of unconventional monetary policies like QE1, 2, 3…on a global scale; the rise of emerging economies like Brazil, Russia, India, China and South Africa (BRICS) and the future of the yuan; all of which have serious business implications world-wide. With the ongoing liberalization of international trade and investment on a regional and multilateral basis, the nations of the world are becoming increasingly interdependent. It is therefore imperative that finance majors have a fundamental understanding of international finance issues.

**Course Objectives**
The goal of this course is to provide you with a strong macro and micro foundation in international financial management, which will (1) enable you to interpret and respond to the day-to-day financial challenges faced by firms in a global geopolitical setting, (2) provide you with a solid understanding of exchange rate systems and dynamics, (3) empower you to measure and manage foreign exchange risk with the help of key currency derivatives, and (4) enable you to make sound long term foreign direct investment (including M&A) decisions.

**Learning Outcomes**
After successful completion of this course, you should be able to:

- Explain how the international monetary and exchange rate systems operate
- Analyze a country’s balance of payments and its impact on a nation’s exchange rate and the economy
- Identify key exchange rate determinants and forecast exchange rates
- Evaluate and identify the appropriate instrument to finance international trade
- Identify and interpret key international finance theories and their relevance
- Measure and manage foreign exchange risk
- Identify methods of conducting international business and evaluate the financial risk associated with each approach
- Define MNE and rationalize the rise of Emerging Market Multinationals and Global Innovation
- Determine the weighted average cost of capital and the “hurdle rate” of MNEs
- Conduct international project analysis to determine viability of proposed initiative and make presentation to a mock management committee.
Course Content
FINC/IBUS 645 is a structured course, which examines the impact of a dynamic international monetary system on currency risk and financial decision-making of multinational firms in a global geopolitical environment. The course is divided into three segments. First, we will survey the international monetary system including: the balance of international payments; the workings of the international credit and foreign exchange markets including the role of trade finance; and, the important complexities of exchange rate systems followed by countries, and exchange rate determination. Second, we will examine the impact of exchange rates movements on corporate decision making, i.e., foreign exchange risk measurement and management and the use of currency derivatives. And, we will study some major international finance theories. Finally, we will study foreign direct investment (FDI), i.e., why, where, and how your firm will invest abroad.

The course's pace will be quite rapid because of the subject matter's broad scope and the limited time. It may not be possible, therefore, to either explore all aspects of international financial management or with the preferred degree of depth.

Course Prerequisites
A strong background in principles of macro and microeconomics, and corporate finance (FINC 612 or 635) will be required. This challenging course will be of particular interest to students seeking a career in finance, international business, or with federal or multilateral institutions. Yet with rapid globalization of business and increased interdependence of nations, even Texas cattle ranchers will find the lectures/discussions useful in their day-to-day financial decision-making.

Required Readings: The Financial Times or Wall Street Journal
Highly Recommended Readings: The Economist, and Bloomberg Business Week
Other Recommended Readings: Foreign Affairs, IMF Staff Papers, Finance and Development (IMF), OECD Observer, Transnational Corporations, Journal of International Business Studies
Suggested TV News Programs: Public Broadcasting Service (PBS): Frontline, Wide Angle, Point of View (POV), Now, Globe Trotter
Radio Stations: National Public Radio (FM 90.7: 6:00-9:00 a.m. and 4:00-6:00 p.m.), and KEOS (FM 89.1) British Broadcasting Corporation Newshour (8:00 a.m. and 5:00 p.m.)

Mays Business School Food & Beverage Policy:
We have well-kept and state-of-the-art classrooms in the Wehner Building. We want to maintain the high quality of these classrooms for students in future years. Thus, it is necessary for you to adhere to the established policy of NO BEVERAGES (except water), FOOD, TOBACCO PRODUCTS, OR ANIMALS (unless approved) within the Wehner Building classrooms. Your cooperation is greatly appreciated.

Operating Plan
1. Given the global, operational, and policy-oriented nature of the course, it is vital that you arrive well prepared (assigned readings and/or chapters of textbook) for class to achieve course objectives. I will periodically ask questions to stimulate discussion and your thought process.
2. While homework will not be assigned and graded, it is important that you work as many end of chapter problems as you can so that you understand key concepts. For a start, work the self-test problems at the end of each chapter in the text.
3. Current events related to international business/geopolitics and finance will be discussed in class (you are encouraged to initiate the process), along with readings, DVD programs and guest speaker presentations. You will be examined on the content.
Grading Policy

Mid-Term Exam (multiple choice and problems) 40
Final Exam (multiple choice and problems) 60
Total Possible 100

Grade Ranges:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>90 – 100</td>
</tr>
<tr>
<td>B</td>
<td>80 – 89.9</td>
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<tr>
<td>C</td>
<td>70 – 79.9</td>
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<tr>
<td>D</td>
<td>60 – 69.9</td>
</tr>
<tr>
<td>F</td>
<td>0 – 59.9</td>
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</tbody>
</table>

Your course grade will be determined by adding the points you earned in the two exams. The exams will be designed to test (a) your understanding of key international finance concepts (and definitions), and (b) your problem-solving and critical/strategic-thinking skills. Visit my website for sample tests. If, at the end of the course, it is determined that a curve is needed, the cut off for various grades will be adjusted accordingly to determine the appropriate letter grade. In order to ensure that all students are treated in an equitable manner, everyone’s grade will be determined solely based on their performance in the exams. Nothing can be done for extra credit.

Make-up Exams:
If you are unable to take an exam for a valid reason, recognized by the university (http://student-rules.tamu.edu/rule7.htm), such as illness or death in the family, a makeup exam will be scheduled. The fact that these are university-excused absences does not relieve you of the responsibility to notify me and you will be required to produce documentary evidence to substantiate your claim. Failure to notify and/or document properly may result in an unexcused absence. The makeup exam could consist of multiple choice and/or essay type questions. The make-up exam will generally be given within one week of the date of the exam. It is your responsibility to schedule the date of the make-up exam with me. An unexcused absence during a scheduled examination will be recorded a “zero” on your record.

ADA Statement:
The Americans with Disabilities Act (ADA) is a federal anti-discrimination statute that provides comprehensive civil rights protection for persons with disabilities. Among other things, this legislation requires that all students with disabilities be guaranteed a learning environment that provides for reasonable accommodation of their disabilities. If you believe you have a disability requiring an accommodation, please contact Disability Services (http://disability.tamu.edu) Department of Student Life, Room B118 Cain Hall, or call 845-1637.

Academic Integrity Statement:
“An Aggie does not lie, cheat or steal, or tolerates those who do.” Upon accepting admission to Texas A&M University, students immediately assume a commitment to uphold the Honor code, to accept responsibility for learning and to follow the philosophy and rules of the Honor System. Ignorance of the rules does not exclude any member of the Texas A&M community from the requirements or the processes of the Honor System. For additional information please visit http://www.tamu.edu/aggiehonor/

Attendance Policy and Course Approach
It is mandatory that you attend classes regularly and be ready for discussions based on assigned readings and current global events. The class will generally commence with an analysis and discussion of current global geopolitical developments or international business/financial issue/event. You are required to read financial newspapers regularly, (e.g., Financial Times, or The Wall Street Journal, The Economist, or Bloomberg Business Week), in order to follow closely the changes taking place in the global business environment. Neither the Battalion nor the Eagle is adequate for our purpose. A detailed discussion of assigned readings or a lecture/discussion on the theories, approaches, and application of international finance policy tools will follow. Given your solid corporate finance background, class
discussions will focus more on the complex issues related to exchange rate systems/determination and their role in international financial management. Questions on the exams will cover guest lectures (if any), videos, and classroom discussions/current issues, which may or may not be covered in the text. It is therefore imperative that you attend classes regularly, in body and in mind.

About your instructor
Dr. Julian Gaspar is the Executive Director of the Center for International Business Studies and Clinical Professor of Finance at Mays Business School, where he is responsible for internationalizing the business school’s curriculum, students and faculty. Dr. Gaspar is the director of Texas A&M University’s Center for International Business Education and Research (CIBER) program (one of 17 such centers in the nation), which is funded by the U.S. Department of Education. Dr. Gaspar teaches international finance (FINC 645) in College Station, and FINC445/645 during the summer in Strasbourg, France where he conducts a 5-week Mays Study Abroad Program with 30 Aggies each year. Dr. Gaspar has a B.S. in Chemical Engineering from the University of Madras in India, an MBA from Indiana University-Bloomington, and a Ph.D. in International and Monetary Economics from Georgetown University in Washington, D.C. Dr. Gaspar has been with Mays Business School since 1991.

Prior to joining TAMU, Dr. Gaspar was an International Economist with the World Bank in Washington, D.C. for four years. His responsibilities included financial and industrial restructuring of developing and transition economies of Central Europe and the Middle East. He has extensive experience in international project economic and financial analysis having worked for the International Finance Corporation (World Bank) as well as a consultant with the U.S. Department of State. Dr. Gaspar also has extensive corporate experience having worked as an international economist with the Bank of America in Tokyo and in San Francisco for seven years where he conducted country and industry risk analysis and researched and analyzed debt problems of developing countries. Dr. Gaspar devised financial restructuring strategies for Bank of America associated with the Philippines debt crisis in 1985.

Dr. Gaspar has traveled/worked in over 60 countries covering all continents. His regional expertise covers Africa, Asia, the Middle East, Central Asian Republics, Europe and Latin America. Dr. Gaspar just completed directing a U.S. Department of State-funded project to help set up the first modern graduate business school in Tashkent, Uzbekistan. Dr. Gaspar also teaches executive programs in Guatemala and in France. He and some of his Mays colleagues developed and published six Russian business cases. Dr. Gaspar is the lead-author of two textbooks “Introduction to Business” 2nd ed. (2015) and “Introduction to Global Business” 2nd ed. (2016).
Tentative Course Outline: FINC/IBUS 645-602
(Textbook Chapters and Assigned Readings)

Date

Topic

THE INTERNATIONAL MONETARY SYSTEM

9/1
Course Overview
Global Geopolitical Business Environment
The Rise of China: J. Gaspar
The Contagion Out of China: Bloomberg Businessweek, August 31, 2015
The Great Fall of China: The Economist, August 29, 2015

9/3
Chapter-1
Multinational Financial Management
Emerging Giants, Business Week, July 31, 2006

9/8 & 9/10
Chapter-2
International Flow of Funds
Plan B for World Trade: Go Regional, Financial Times, August 16, 2006
Do Current Account Deficits Matter, Finance & Development, December 2006

9/15
Chapter-3
International Financial Markets

9/17 & 22
Chapter-6
Government Influence on Exchange Rates
Evolution of the European Union and the “euro”: J. Gaspar
Dollarization: Controlling risk is key, Finance & Development, March 2005

9/24
Video: Inside Job

9/29
Video: Inside Job (continued)
The American Credit Crisis of 2008: J. Gaspar
Discussion of Credit Crisis: Causes and lessons learnt

10/1
Chapter-4
Exchange Rate Determination

10/6
Chapter-5
Currency Derivatives

10/8
Chapter-7
International Arbitrage and Interest Rate Parity

10/13 & 15
Chapter-8
Relationship among Inflation, Interest Rates and Exchange Rates

10/20
The Big Mac Index 2015

FOREIGN EXCHANGE RISK MEASUREMENT AND MANAGEMENT

10/22
Mid-Term Exam*

10/27
Chapter-10
Measuring Exposure to Exchange Rate Fluctuations

10/29
Chapter-11
Managing Transactions Exposure

11/3
Chapter-12
Managing Economic and Translation Exposure

11/5
Chapter-13
Direct Foreign Investment

11/10
Corruption Perception Index: Transparency International

INTERNATIONAL ASSET & LIABILITY MANAGEMENT

11/12
Video: PBS Frontline- Blackmoney

11/17
Video: PBS Curse of Inca Gold: Discussion on Corruption

11/19
Chapter-14
Multinational Capital Budgeting

11/24
Chapter-15
Multinational Restructuring

12/1
Chapter-17
Multinational Cost of Capital and Capital Structure

12/3
Chapter-19
Financing International Trade

12/8
Redefined Day Class

12/15
Final Exam*: 1:00-3:00 p.m.

*link to sample exam