

FORDHAM UNIVERSITY
Graduate School of Business Administration
FNGB 7451: Financial Management of Multinational Companies

5:50 p.m. – 7:50 p.m. Monday Room # 502 Lincoln Center

Office: 1790 Broadway Room no. 1313, 13th floor
Phone: 212-636-6181; **E-mail:** goswami@fordham.edu

Summer 2009

PROF. GAUTAM GOSWAMI

Course Description

This course addresses the problems faced by an international investment banker or a financial officer of a multinational firm. The course emphasizes financial decisions not usually considered by managers of purely domestic firms including exchange rate fluctuations, differing tax structures across countries and political risk. The course focuses on: identification, measurement and management of exchange rate exposure and hedging strategies; taxation of international income and transfer pricing policies; international capital budgeting, determination of the cost of capital; global financing and designing financial structure. Other topics covered include international project evaluation, and use of special financing vehicles like interest rate and currency swaps.

Prerequisites

Successful completion of FNGB 7421. This requirement may be enforced by the department. If you do not meet this requirement, you should inform the instructor.

Familiarity with a spreadsheet program (Lotus123, Excel) will be useful, as you will be required to do several cases.

This course syllabus provides a general plan for the course; deviations may be necessary.

Evaluation

The course material will be communicated via lectures and some cases. The class will be organized such that students can discuss cases, submit project reports, and solve problems. Grades will be determined by the followingh

| | |
|--------------------------------|-----|
| 1 In Class Exam OR | 30% |
| 2 Cases or class participation | 20% |
| Mid-Term Exam (Take-Home Case) | 25% |
| Final Exam (Take-Home Case) | 25% |

Note:

All exams are closed book (and closed notes). You will, however, be allowed a list of important results and formulae. The exams will be based on the in-class lectures and readings assigned during the course.

No make-up exams will be offered. Students with a documented university approved excuse will have the weight of the final increased accordingly. In all other cases, a grade of zero will be recorded for that portion of the material.

While I realize that many of you work, you have to plan ahead for the semester today.

Readings

The textbook for the course is Multinational Financial Management by Alan Shapiro 8th Ed. (published by John Wiley and Sons in 2003) available for sale at the Fordham Bookstore. This will be supplemented by other readings designed to emphasize certain issues and to present different points of view. Regular reading of the business press (e.g. Business Week, **Wall Street Journal**, The Economist, etc.) is strongly recommended.

Most materials used in class are available at the web site:
Website will be announced later.

Office Hours

Regular office hours are on Tuesdays 4.00 - 5.00 p.m. and by appointment. I will be in my office 1313 most days of the week. I encourage you to come by and see me if you need to do so. I have an open door policy, so you are always welcome.

Honor Code: Unless I specifically give you permission to work on something together, you are expected to work on your own. All materials submitted for grading must be pledged. Homework is due when it is requested in class.

All cases will be provided by the instructor..

Tentative Course Outline

- Class 1 **Course Introduction**
- Syllabus
- I. Currency Markets**
II. Forward, Futures and Options Market on FE
III. International Finance Theories
IV. Measuring and Managing Exposure to FE risk
V. International Cost of Capital
VI. Capital Budgeting and Cross Border Valuation
VII. International Financing
- Class 2 **Exchange Rate Overview**
- Exchange Rate Determination
 - Exchange Rate Models
 - Read: **MFM, Ch. 2, 3, 5**
- Foreign Exchange Market**
- Spot and Forward Markets
 - Exchange Rates and Interest Rates
 - Read: **MFM, Ch. 7**
- Class 3 **Currency Futures and Options**
- FX Derivative Market
 - Hedging and Speculation
 - Read: **MFM, Ch. 8**
- PS-I
- Exchange Rate Impact on International Operations**
- Why Should Firms Hedge?
 - Read: Class Note
- Class 4 **Parity Conditions and MNC Competitiveness**
- Read: **MFM, Ch. 4**
- Case 1
- Review**

| Session | Discussion Topic |
|----------------|---|
| Class 5 | Exam 1 ?? |
| | II. Managing Exposure to FX Risk |
| Class 6 | Measuring Transaction Exposure <ul style="list-style-type: none"> ○ Read: Ch. 10 PS-II |
| Class 7 | Managing Economic Exposure <ul style="list-style-type: none"> • Approaches for the MNC <ul style="list-style-type: none"> ○ Read: Ch. 11 |
| Class 8 | Review or Cases |
| Class 9 | III. Long-term Investments International Cost of Capital <ul style="list-style-type: none"> ○ Read: Ch. 14 |
| Class 10 | International Projects Evaluations <ul style="list-style-type: none"> • Capital Budgeting <ul style="list-style-type: none"> ○ Read: Ch. 17 PS-III |
| Class 11 | Review or Cases |
| | IV. Long-Term Financing |
| Class 12 | Political Risk <ul style="list-style-type: none"> • Measurement and Management <ul style="list-style-type: none"> ○ Read: Ch. 6 Case 2 Report Global Financing <ul style="list-style-type: none"> • Financing foreign projects <ul style="list-style-type: none"> ○ Read: Ch. 12 |

Session Discussion Topic

Class 13

International Markets

- Euromarket
 - Read: **Ch. 13**

Class 14

Special Financing Vehicles

- Interest Rate and Currency Swaps
- LDC Debt-Equity Swaps
- Read: **Ch. 9**

Class 15 **Final Exam**

This is just a course outline. We may change this outline if required. The exact dates of cases will be announced later.

| List of Cases |
|--|
| 1. How to Advance your Career Case I |
| 2. Managing Foreign Exchange Risks |
| 3. Paginas Amarelas Case IV |
| 4. Jaguar Plc. 1984 Case II |
| 5. Newport Case III |
| 6. Wiley International Case V |
| 7. Airbus-A3XX Case IX |
| 8. Petrolera Zuata Case VI |
| 9. Continental Cablevision Inc/Fintelco Joint Venture Case VIII |
| 10. Walt Disney Case VII |