**McDonough School of Business**  
**Finc-510 International Finance**

**Instructor:** Jim Bodurtha  
**Office:** Hariri 485  
**Phone:** 202 687-6351  
**Office Hours:** M, T, H 10:45am-12:15pm, W 1:45-2:30pm and 5-6pm, and by appointment  
**Click to send email** bodurthj@georgetown.edu

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**Prerequisites:** Both Financial Management modules, Finc 551 and 557.

**Description:** This course develops a base for understanding international financial markets and management.

**Objectives:** To provide a basic understanding of the fundamentals of international finance, and to build on this understanding through treatment of special topics: relative national positions, FX outlook, FX positioning and hedging, international project selection, and international portfolio management.

**Required Notes:** Notes will be distributed in class. Classnotes are also available on the MSB intranet as a hyperlink in the title of each section of in the course outline.

https://msb040.msb.edu/faculty/bodurthj/unrestricted/teaching/51020_syllabus.htm

**Optional Texts:** There is no required text. On a first and timely use basis, a couple of chapters will be provided from the following books as supplemental reading:


It is also recommended that you keep up with the financial press. The *FT-US* and *WSJ* are good daily sources. The Wall Street Journal provides discount student subscriptions on a quarterly or a semester basis (click to access) -- as does the *FT for students*. Weekly sources include *The Economist*, *Barron’s*, *Business Week*, *Fortune*, and *Forbes*.

**Calculation:** The course will require some calculation and computer spreadsheet work. Please always bring your financial calculator to class. Bringing your portable to class will be helpful.

**Grading:** A series of 100 point quizzes and homeworks will be given every one or two weeks throughout the module. The course final will be a take-home due at the beginning of our final exam session. The grade weight of the final exam is equal to two quizzes (2 x 100 points).
You will have the option to exclude one quiz or required homework from your final grade calculation (this "one quiz" may include half of the final). Should you have an excused absence for a quiz, then you must complete the quiz as additional homework to apply the drop option to the associated quiz.

**Grade Weights**

<table>
<thead>
<tr>
<th>Grade Components</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Quizzes and Required Homework</td>
<td>90%</td>
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<tr>
<td>Class Attendance</td>
<td>10%</td>
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There will be a series of support homework with each quiz, from 1-3 per assignments per module. Homework will be distributed in class. Homework is also available on the class web site, as are suggested homework answers. Any homework that is unsatisfactory or missed will result in up to a 10 point penalty on the associated quiz. I require that all homework be turned in with the associated quiz. Required homework has no support homework.

On all quizzes and homework subsequent to the first one, a student earns 90 out of 100 points for their work on the quiz. An additional 10 points are earned by attending and participating in class during the classes leading up to a quiz. If you do miss a class or have negative participation, then I will evaluate your excuse out of 2-4 points per class. Obviously, there will be a sign-up sheet handed out for each class, and I ask you to sit in the same seat throughout the semester.

In case of inclement weather or other situations which make getting to class difficult for a group of students, we will try to run an "e-class" simultaneously with the usual in-class session(s). An email will notify you regarding this contingency, and BlackBoard's Elluminate web service will be used. This click link has url based access instructions and some pointers, and this link has BlackBoard Access Instructions.

**Grading Curve**

In accordance with business school guidelines, class grades will be curved.

**Quiz and Required Homework Due Dates**

Our first quiz is 11/8. Subsequent quiz and homework due dates are on Tuesdays 11/15, 11/29, and 12/13. Our final session is 12/19 at 12noon in Hariri 250.

There will be no quiz make-ups. If, for some reason - like snow, a quiz must be canceled for the entire class, then the next quiz will count as a double quiz.

**Outline**

1. **GNI and the BOP**

   Extra Readings:

   Homework
   - We will do **HW-1_U.K. Experience Worksheet** as a class exercise/homework
     - **HW-1_U.K. Experience Worksheet Suggested Answers**
     - **HW-1_U.K. Experience Worksheet FullPage Figures** (to see better)
     - **HW-1_Japan. Experience Worksheet** blank
11/8 Quiz Preparation (you may bring the Japan Worksheet packet to the quiz. the quiz questions will be similar to the questions on the 2nd page.)

HW-1_Quiz01_Japan_Experience_Worksheet_Partial_Answers, and
HW-1_Japan_Experience_Worksheet_FullPage_Figures (to see better)

2. **Currency Mathematics and FX Denomination Decision**

Extra Reading:

- Bekaert-Hodrick, *Interest Rate Parity, Chapter 6*
- *How the Current Forecasting Services Rate-Double Up and Prosper* - Goodman and Jaycobs
- *Currency Forecasters Lose Their Way* - Levich
- *Getting It Right at the Right Time* - Jaycobs
- *Trends Are Fine for Some Currencies* - Ramond
- *Why Be So Pessimistic* - Bilson

Homework | Suggested Answers | Spreadsheets
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HW-2_FORWCUR | HW-2_FORWCUR_ANS | 10/28/2011

**Quiz Preparation**

3. **Money, Inflation, and Interest Rate Links with Currency Values**

(We will work through either Japan or U.K. in class, and the second country will be the homework.)

Extra Reading:

- Levich, *Spot Exchange Rate Determination, Chapter 6* (what should work)
- *Foreign Exchange Market Efficiency, Chapter 7* (what doesn't work)

Homework | Suggested Answers | Notes
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Monetary Currency Models | 3-country_Monetary_View_Data_n_Regression.xlsx is the Excel workbook with data, figures for notes, and regression models. On open, choose don't update. Regression-related (cryptic) info is highlighted in yellow in the Japan-Model and UK-Model worksheets.

4. **Currency Fundamentals**
(We will work through either Japan or U.K. in class, and the second country will be the homework.)

| Extra Reading: | Levich, *Exchange Rate Forecasting*, Chapter 8  
OECD_EconomicSurvey_Japan_1104  
OECD_EconomicSurvey_UK_1103  
OECD_EconomicSurvey_US_1103  
IMF_World-Economic-Outlook_2011 |

<table>
<thead>
<tr>
<th>Homework</th>
<th>Worksheets</th>
<th>Notes</th>
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<tbody>
<tr>
<td>Japan Currency Fundamentals  (large graphs)</td>
<td>Yen Links Summary</td>
<td>Identify factors which have moved with or against the yen</td>
</tr>
<tr>
<td>U.K. Currency Fundamentals  (large graphs)</td>
<td>Pound Links Summary</td>
<td>Identify factors which have moved with or against the pound</td>
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**Quiz Preparation**

A short quiz on where the JY or BP currency is going and why? (Basically, summarize homeworks 2-4, which you may have with you for support, and state where you expect the currency to go).

Given 2010 year-end forward and your view on 12/31/2010, then what should you have done with a long and a short exposure hedge? Also, how is the hedging decision looking now?

Quiz content will be based on Module 2 (using, not calculating forwards), Module 3 (interpretation, not calculating the Money FX model, and Module 4 regarding your view on either the pound or yen value given their fundamentals. As support for
5. **International Project Value Analysis**

   *Spreadsheet* and *Subsidiary, Parent, and FX perspective numbers*

| Extra Reading: | Eun-Resnick, *International Capital Budgeting, Chapter 18* |

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**Quiz Preparation w/Santa Clara Electronics Case**

A list of changes in the assumptions of Santa Clara Electronics will be provided. You will be asked to evaluate these changes both intuitively, and then with modeling. Besides handing in the short paper quiz question answers, you will be asked to submit your spreadsheet (analysis) at the end of the quiz by email to bodurthj@georgetown.edu

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6. **International Allocation for Portfolio and Project Evaluation**
Homework: **Global Corporate "Project" Selection and Funding Worksheet**

Spreadsheet for Homework and Take-Home Final -
Oscar's **WRLDDV1961-2010_XCL2007.xlsx** (For Excel 2007)
**WRLDDV1961-2010.XLS** (For Excel 2010 and possibly 2007)
**WRLDDV1961-2010.XLSM** (For Excel 2010)

**HelpFile for Optimize Yellow Button Adding-In, Referencing, and Using Solver**

After loading Solver and the Yellow Optimize Button doesn't work?

Just try Solver by **Running Solver**

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<th>Take-Home Final</th>
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<td>The take-home is due at the beginning of our final session on Monday 12/19 at 12 noon in Hariri 250, and for grading purposes is worth two regular quizzes. You should turn in typed or written answers to each question and any supporting worksheets that you wish. If sufficient, email submission is ok too, <a href="mailto:bodurthj@georgetown.edu">bodurthj@georgetown.edu</a>.</td>
</tr>
<tr>
<td>We will also meet for about 1/2 of the scheduled final exam session, and this session is optional.</td>
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7. **Using FX Options** (optional)
   
   Will discuss during final session.