

**THE OHIO STATE UNIVERSITY**  
Fisher College of Business

F825  
International Financial Management

Professor Ingrid M. Werner  
Winter 2009

**1. Outline**

This course provides students with a framework for making corporate financial decisions in an international context. The course will discuss a spectrum of topics in the area of international financial management. Examples include: how to measure currency exposure; how to structure financial and operational hedges for currency risk; how to structure a global financing program; how to raise capital in international equity and bond markets; how to structure capital budgeting analyses for foreign direct investment; how to incorporate strategic aspects in the globalization process; and how to value target firms for cross border acquisitions. *We will devote the last week of the course to discuss the global financial crisis.* The course discussions primarily focus on solving problems facing a corporate financial manager dealing with today's global environment. However, we also consider the challenges facing a portfolio manager or an investor allocating a global portfolio.

**2. Target Audience**

The course is targeted primarily to second-year MBA students who are specializing in Finance by way of the Corporate Financial Management and the Investment Management Majors. Also second-year students majoring in International Business and other non-Finance majors will find this course an excellent complement to their required course work. MACC students who have the necessary pre-requisites are also welcome to take the course. PhD students need to have the instructor's permission to enroll.

**3. Logistics**

Class Meets: Tuesdays and Thursdays, 3:30 – 5:18 pm  
Class Room: Gerlach 265  
Office Hours: Thursdays, 1:30 – 3:00 pm  
Instructor: Professor Ingrid M. Werner  
Office: Fisher Hall 818  
Phone: (614) 292-6460  
Fax: (614) 292-2418  
e-mail: [werner@fisher.osu.edu](mailto:werner@fisher.osu.edu)  
Instructor webpage: <http://fisher.osu.edu/faculty/fin/werner/>  
Course webpage: <http://fisher.osu.edu/fin/winter2009/825.htm>

#### 4. Instructor

Ingrid Werner is the Martin and Andrew Murrer Professor of Finance at Ohio State University. She joined the university in 1998. She has also taught at Stanford Business School, at the Wharton School, and at the Stockholm School of Economics. She has an MBA and an Economics Licentiate degree from the Stockholm School of Economics, and a MA and a PhD in Economics from the University of Rochester. Professor Werner does research in international finance and market microstructure. She was the visiting research economist at the New York Stock Exchange in 1997, and the visiting academic fellow at the Nasdaq Stock Market in 2001-2002.

#### 5. Pedagogy

This course uses a combination of cases, assignments, classroom lectures and discussions to convey the material. Each student is expected to contribute regularly to classroom discussion. This is particularly true when we work with cases, but also during lectures and general discussions. There will be an in-class midterm during week five and an optional final exam during exam week.

#### 6. Requirements

The prerequisite for Business Finance 825 is Business Finance 810 (Analyzing Investment Decisions) and/or Business Finance 811 (Financial Decision Making). In addition, Business Finance 821 and 822 are recommended.

#### 7. Course Evaluation

The final course grade will be allocated according to the following formula:

Individual Class Participation	20%
Four Group Case Write-Ups (the cases marked with an *)	20%
Exams	60%

There will be an in-class midterm on **Thursday, February 5, 2009 (30% of grade)**. **Students may choose either to write a paper on the Global Financial Crisis (max 15 pages) or take a non-cumulative final exam on Tuesday, March 17, 2009, during class time (30% of grade).**

#### 8. Course Material

The required textbook is Cheol S. Eun and Bruce G. Resnick, 2007, *International Financial Management 4th, edition*, Irwin McGraw-Hill, Boston. Note that you can also use the 3<sup>rd</sup> edition, but if you do, you are responsible for figuring out which page numbers to read for each class. There is a packet of readings and cases available from Uniprint (Tuttle Parking Garage location). Slides and other materials will be distributed over the class web-page.

## **9. Class Participation**

A substantial portion of your grade (20%) will be based on class participation. Class participation will mainly be graded based on your contributions to case discussions, but general participation in the form of questions and comments during lectures is also welcome and will be rewarded. To facilitate record-keeping, a seating chart will be provided at the beginning of the class on **Thursday, January 8, 2009**. A combination of cold-calling and soft-calling will be used to maximize participation. Each student will be given ample opportunity to contribute to the classroom discussion. I will monitor contributions daily, and will cold-call students who need encouragement to speak up in class.

## **10. Group Work and Case Write-Ups**

Students are strongly encouraged to form study groups to work on the cases that are assigned in the course. A study group may consist of between 3 and 5 students. All groups should come fully prepared to present their case solution to the rest of the class. In addition, I require all groups to hand in type-written solutions to four (4) cases: (1) *Hedging Currency Risks at AIFS*; (2) *Global Bubbles Incorporated: Global Sourcing Rationalization*; (3) *Nestle and Alcon – the Value of a Listing*; and (4) *Offshoring at Global Information Systems, Inc.* Case write-ups should be handed to the instructor at the beginning of the class when the case discussion is scheduled to take place.

## **11. Other Policies**

### ***Accommodation***

Students who request help will be given reasonable accommodation through the advice and assistance of the University Office of Disability Services (292-3307).

### ***Academic misconduct***

It causes failing the course and triggers quite unpleasant university-mandated procedures that result in further sanctions. Faculty Rule 333-5-487 requires alleged academic misconduct to be reported to the department and the Committee on Academic Misconduct. Academic misconduct includes, but is not limited to, giving or receiving information during an exam and submitting plagiarized work for academic requirements.

### ***Appeals***

Grading errors should be corrected. Appeals must be in writing, within 1 week after the graded work is returned—not the date you first look at it. The appeal should include a description of the question(s) that need to be reexamined as well as an explanation of why the original grade was incorrect. In general, the entire document will be checked for grading errors, and correcting these could either raise or lower the overall score.

***Attendance***

Absence from the midterm or the final exam will not be excused, except for the most serious circumstances. Such circumstances must be validated in writing by an appropriately accredited professional (e.g., medical doctor). If you are unable to attend a particular class, please notify the instructor of your absence *prior* to that class. Failure to notify the instructor of absences, or missing more than five (5) sessions during the course, might result in a failing grade.

***Seating arrangement***

To help me keep track of class participation each day and to make it easier for you to interact with each other during discussions, I ask that you sit in the same seat each day and bring your name card.

## **Business Finance 825 Schedule**

### **I. Introduction to International Finance**

- 1/6 Exchange Rates  
E&R chapters 1 and 2.
- 1/8 Corporate Governance around the World  
E&R chapter 4.  
*Minicase: Parmalat (in textbook)*
- 1/13 Parity Conditions in International Finance.  
E&R chapters 5 and 6.  
*Minicase: The Euro (in textbook)*
- 1/15 Currency Options  
E&R chapters 7.
- 1/20 Swaps  
E&R chapter 14.

### **II. Measuring and Managing Exposure to Exchange Rates**

- 1/22 Measuring and Managing Transactions Exposure  
E&R chapter 8.  
\* *Hedging Currency Risks at AIFS (UK – world, 2004)*
- 1/27 Measuring and Managing Translation Exposure  
E&R chapter 10.  
*Foreign Exchange Hedging Strategies at General Motors: Transactional and Translational Exposures (US – world, 2001)*
- 1/29 Global Sourcing and Real Exchange Rates  
\* *Global Bubbles Incorporated: Global Sourcing Rationalization (UK-world, 2001)*
- 2/3 Measuring and Managing Operating Exposure  
E&R chapter 9.  
*Foreign Exchange Hedging Strategies at General Motors: Competitive Exposures (US – world, 2001)*
- 2/5 ***Midterm – in Class***

### **III. The Global Marketplace for Capital**

- 2/10 International Portfolio Investment and Cost of Capital  
E&R chapters 15 and 18  
*Globalizing the Cost of Capital and Capital Budgeting at AES (US – world, 2003).*
- 2/12 Managing and Pricing an International Bond Offering  
E&R chapter 12.  
*Hutchison Whampoa Limited – Yankee Bond Offering (US -- China, 1997).*
- 2/17 Managing and Pricing an International Equity Offering  
E&R chapter 13.  
\* *Nestlé and Alcon – the Value of a Listing (Switzerland – US - Europe, 2001)*
- 2/19 The Capital Structure Decision  
E&R chapter 17.  
*Geeli (China - 2005)*

### **IV. Corporate Strategy and Foreign Investment Analysis**

- 2/24 Offshoring/Outsourcing and Valuation.  
\* *Offshoring at Global Information Systems, Inc. (US – world, 2004)*
- 2/26 Project Finance  
*Petrolera Zuata, Petrozuata C.A. (US – Venezuela, 1997)*
- 3/3 Cross Border Joint Venture  
E&R chapter 16.  
*SUN Brewing (A) (India – Russia - Belgium, 1998-99)*
- 3/5 Cross Border Joint Venture  
*SUN Brewing (B) (India –Russia – Belgium, 2004)*

### **V. Global Financial Turmoil**

- 3/10 Bailouts and Bans  
Financial Times: <http://www.ft.com/indepth/global-financial-crisis>
- 3/12 Can a country go bankrupt?  
Iceland: [http://en.wikipedia.org/wiki/2008\\_Icelandic\\_financial\\_crisis](http://en.wikipedia.org/wiki/2008_Icelandic_financial_crisis)
- 3/17 *Optional Final Exam during class-time, 3:30-5:18.  
(For students who opt not to write a paper on Global Financial Crisis.)*