



**QUINLAN**  
SCHOOL of BUSINESS

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Schreiber Center #712

Office Hours: Tuesday and Thursday, 12:30 to 2:30 PM and by appointment

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### **FINC 355, INTERNATIONAL FINANCIAL MANAGEMENT**

**Spring Semester 2018, Tuesday and Thursday 2:30 to 3:45 PM Schreiber Center Room 525**

#### **Course Description and Overview:**

When a domestic firm expands its business to overseas, it is rewarded with the potential opportunities to expand its business. At the same time, the firm is also exposed to additional risks. This course introduces students to additional economic and financial challenges faced by multinational corporations. Specifically, this course exposes the students to:

- Foreign Exchange Market. Function and structure of the Spot and Forward markets are discussed.
- Currency Derivative Markets. Function and structure of the Foreign Exchange Futures and Options markets are introduced.
- Fundamental International Parity Relationships. The relationship between the purchasing power parity and the exchange rate is introduced. In addition, the relationship between interest rate parity and the exchange rate is also introduced.
- Foreign Exchange Risk Management. Introduces different techniques developed to manage foreign exchange risk.
- Capital budgeting for Multinational Corporation.

#### **Course Objectives and Learning Outcomes**

1. To understand the workings of the foreign exchange market and its instruments.
2. To understand factors affecting foreign exchange rate movements over time.
3. To identify and manage foreign exchange exposure.
4. To perform multinational capital budgeting.

## Required Materials

1. International Financial Management (13<sup>th</sup> Edition) by Jeff Madura, CENGAGE Learning, ISBN is 978-1-337-09973-8, available in Loyola bookstore.
2. Wall Street Journal: <http://r.wsj.net/hVFsZ>

## Course Requirements and Grading Criteria

Exams and Assignments	Points (%)
Purchasing Power Parity mini project (individual)	15 points (5%)
<b>BMC, Currency module only (completed by 6 PM 2/16/2018; individual)</b>	<b>15 points (5%)</b> <ul style="list-style-type: none"><li>● 70 – 100 score: 15 points</li><li>● 60 - 69 score: 10 points</li><li>● Below 60: 5 points</li></ul>
FX risk management project (group: 2 students)	100 points (33.3%)
Midterm exam	70 points (23.3%)
Final exam	100 points (33.3%)

### Notes:

1. Your final course grade will be determined by adding together the points you earn from each of the course requirements.
2. The PPP mini project and the FX risk management project are due at the beginning of the class. No late assignments will be accepted without my prior consent.
3. There will be no make-up exam given unless there are compelling medical reasons and only if such reasons are supported by a doctor's report. Make-up exam may be different than the exam taken by the rest of the students.
4. BMC assignment must be completed by 6 PM on February 16, 2018. There will be no make-up for this assignment.

### *Bloomberg Market Concepts (BMC)*

Bloomberg Market Concepts is an 8-hour self-paced course that gives you a visual introduction to the financial markets and teaches 70 of the most common Bloomberg terminal functions used by financial analysts. It covers Economics, Currencies, Fixed Income and Equities. When you complete the four modules, you will receive a BMC Certificate of Completion and become eligible to upload your resumes onto the Bloomberg Talent Search database. This is a recruiting platform where employers are actively searching to fill internship and entry-level positions.

**Course Grading Scale:**

93 and Above	A	78 and 79	C+
90 to 92	A-	73 to 77	C
88 and 89	B+	70 to 72	C-
83 to 87	B	60 to 69	D
80 to 82	B-	Below 60	F

**Quinlan School of Business Policies:**

**A Attendance**

Class attendance and participation are fundamental components of learning, so punctual attendance at all classes, for the full class meeting period, is expected to Quinlan students. Faculty may set participation policies unique to their courses and use class participation as a component of the final grade. The student is responsible for any assignments or requirements missed during an absence.

***If you miss a class or need to leave early, I will appreciate if you will notify me in advance.*** You are responsible for any class assignments or requirements missed.

**Cell phone:**

Unless you are expecting an emergency call (please notify me in advance), please put your cell phone in vibration and do not use it in class. ***You are not allowed to use the cell phone during the final exam.***

**Laptop:**

***Without my prior consent, no laptop is allowed in the class. If you need to use the laptop for note taking, please let me know. You are not allowed to use the laptop during the midterm and final exams.***

**Email Correspondence:**

- Students are expected to check their emails on a frequent and consistent basis in order to stay current with the class. Students have the responsibility to recognize that certain communication may be time-critical. "I didn't check my email" is not an acceptable excuse for missing assignments.
- I will respond to all emails within 48 hours on weekdays and any contact after 5:00 on Friday will be returned on Monday.
- Please maintain proper professionalism in your email correspondence.

## **B Make-Up Examination**

Loyola University academic policy provides that tests or examinations may be given during the term as often deemed advisable by the instructor. Because Quinlan faculty believes examinations represent a critical component of student learning, required examinations should be taken during the regular scheduled class period. Make-up examinations are discouraged. Exceptions may be granted only by the faculty member or department chair, and only for unavoidable circumstances (illness verified by a signed physician's note, participation in intercollegiate athletic events, subpoenas, jury duty, military service, bereavement, or religious observance). A make-up final examination may be scheduled only with the permission of the appropriate Quinlan Assistant or Associate Dean.

If a make-up examination must be given, it is the responsibility of the faculty member to prepare, schedule, and proctor the exam. The only regular exception is for a student athlete, who may use the testing services of the Athletic Department to complete a make-up examination. For a student with a documented special testing need, please consult University policy concerning use of the testing center in Sullivan Center at Lake Shore Campus.

## **C Academic Integrity**

All members of the Quinlan School shall refrain from academic dishonesty and misconduct in all forms, including plagiarism, cheating, misrepresentation, fabrication, and falsehood.... Plagiarism or cheating on the part of the student in individual or group academic work or in examination behavior will result minimally in the instructor assigning the grade of "F" for the assignment or examination. In addition, all instances of academic dishonesty must be reported to the chairperson of the department involved.

For further information about expectations for academic integrity and sanctions for violations, consult the complete Quinlan School of Business Honor Code and Statement of Academic Integrity on the Quinlan website:

<http://www.luc.edu/media/lucedu/quinlanschoolofbusiness/pdfs/Honor-Code-Quinlan-July2012.pdf>

**FINC 355 Weekly Course Outline**

<b>Date</b>	<b>Chapter</b>	<b>Topic</b>
1/16	1	Multinational Financial Management: An Overview
1/18 – 2/20	3 5	International Financial Markets Currency Derivatives
<b>2/22</b>	5	Currency Derivatives <b><i>FX risk management project: Part (I) is due</i></b>
2/27	7 Review	International Arbitrage and Interest Rate Parity
<b>3/1</b>	<b><i>Midterm (closed book)</i></b>	<b><i>Covers chapters 3 and 5</i></b>
<b>3/6</b>	<b><i>Spring break – no class</i></b>	
3/13	7 Go over the midterm	International Arbitrage and Interest Rate Parity
3/15 and 3/20	7	International Arbitrage and Interest Rate Parity
3/22 and 3/27	8	Relationship among Inflation, Interest Rates, and Exchange Rates
3/29	10 11	Measuring Exposure to Exchange Rate Fluctuations Managing Transaction Exposure
<b>4/3</b>	11	Managing Transaction Exposure <b><i>PPP mini case is due</i></b>
4/5 – 4/17	11	Managing Transaction Exposure
<b>4/19</b>	14	Multinational Capital Budgeting <b><i>FX risk management project: Part (II) is due</i></b>
4/24	14	Multinational Capital Budgeting
4/26	Review	Multinational Capital Budgeting
<b>5/5 (4:15 – 6:15)</b>	<b><i>Final: Open book</i></b>	<b><i>Covers chapters:</i></b>

***End of Chapter Problems – will go over in class (solution will be posted in sakai after we go over them in class)***

<b>Chapter</b>	<b>Problems</b>
3	18, 24 and 25
5	4, 17, 18, 20, 21, 25, 41 and 42
7	6, 19, 21, 39, 42 and 43
8	18, 19, 20, 26, 34 and 41
11	32, 40, 41 and 43
14	27

***Mini Project***

<b>Chapter</b>	<b>Topic</b>	<b>Due Date</b>
8	Create your own version of Big Mac Index	4/3/2018

***FX Risk Management Project (see handout)***