The purpose of this unit is to develop an understanding of the problems associated with international financial management. Topics include the environment of international financial management; foreign exchange risk management; multinational working capital management; foreign investment analysis; and financing of foreign operations.
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<table>
<thead>
<tr>
<th>Unit Web Site URL</th>
<th></th>
</tr>
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<tbody>
<tr>
<td>Lecturer</td>
<td>Dr. J. Kenton Zumwalt</td>
</tr>
<tr>
<td>Email:</td>
<td><a href="mailto:kzumwalt@gsm.uwa.edu.au">kzumwalt@gsm.uwa.edu.au</a></td>
</tr>
<tr>
<td>Phone:</td>
<td>6488 3980</td>
</tr>
<tr>
<td>Fax:</td>
<td>6488 1072</td>
</tr>
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<td>Lecture Times:</td>
<td>See Timetable</td>
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Your lecturer

Kent Zumwalt is a visiting Professorial Fellow at the Graduate School of Management at UWA. His teaching interests are in the areas of corporate finance and investments. He has taught in Executive MBA programs at both the University of Illinois and Colorado State University. In 1999, he taught a business finance course at Harvard University. In 1993, he received the Teaching Excellence Award presented by the Academy of Business Administration.

Kent has published in a number of the leading finance journals, including the *Journal of Finance*, the *Journal of Financial and Quantitative Analysis*, and more recently, in the *Journal of Financial Research* and the *Financial Review*. He has made numerous presentations to professional and trade organizations, and has served on the Board of Directors for both the Financial Management Association and the Midwest Finance Association.

Kent has consulted with a number of corporations, including Hewlett-Packard and several Colorado banks. The HP seminars focussed on international competition, productivity, and international exchange, while the banking seminars focused on identifying and measuring default risk, interest rate risk and inflation risk. He has consulted with the National Endowment for Financial Education and has presented security analysis seminars for the Association of Investment Management and Research (AIMR), the organization that awards the Chartered Financial Analyst (CFA) designation.

Kent earned a B.S. in Physics in 1966 and worked four years at a nuclear reactor before returning to graduate school, earning an MBA and a Ph.D. in Finance at the University of Missouri in 1970 and 1974, respectively.
UNIT DESCRIPTION

Introduction

Welcome to International Financial Analysis. Kent Zumwalt from UWA will be taking the lectures in this course. The purpose of this unit is to develop an understanding of the problems associated with international financial management.

The unit of International Financial Analysis extends the financial management study embraced in the prerequisite unit Managerial Finance.

The first half of the unit introduces students of international financial analysis to the fundamentals of international finance. It provides a broad presentation of the functions of the multinational corporation, briefly reviews the history of international monetary systems and discusses current international endeavours in this area, with special reference to the European Monetary System. It also includes a study of foreign exchange rates and markets, international parity conditions and risk management through forward exchange rates, futures and options.

The second half of the unit commences with the utilisation of many of the aspects of the first half in a study of the management of international transaction exposure and then proceeds to a study of the management of international operating exposure. It then extends significant sections of the unit Managerial Finance into the international sphere, building especially on the expertise gained in Managerial Finance in the traditional areas of short-term financing, cost of capital, capital budgeting and portfolio analysis. It looks at these in the international arena to determine the international sources of short-term financing, and their cost, and from this assess the cost of capital to a company. This is then utilised in the evaluation of the viability of prospective international projects. Finally, there is an extension of the earlier study of domestic portfolio investments to embrace international portfolios.

The presentation of the unit will be such as to indicate the need of each topic in the real world of business, utilising current examples, and to show the connection between the various topics and their dependence on the prerequisite units.

The unit description

The purpose of this unit is to develop an understanding of the problems associated with international financial management. Topics include the environment of international financial management; foreign exchange risk management; multinational working capital management; foreign investment analysis; and financing of foreign operations.

The goal of the unit

The goals of this unit are:

- To provide a logical development from the prerequisite finance unit Managerial Finance.
- To develop an expertise in the use of foreign exchange securities and markets.
- To provide an understanding of risk management, in international finance, through the use of forward exchange rates, futures and options.
- To provide an awareness of the international sources of short-term financing.
- To provide an understanding of, and ability to implement, techniques of international capital budgeting.
- To examine the implications of international portfolio investments.
- To provide an appreciation of financial management problems facing companies operating in an international environment.
Learning outcomes

The learning outcomes state explicitly what the student will be able to do with the subject matter by the end of the unit. They provide a framework for teaching and assessment in the unit. Five to eight learning outcome statements should be sufficient.

On completion of this unit, you should be able to:

1. Understand the international financial environment, especially the international monetary system, the balance of payments, and how they impact the economy.
2. Be familiar with the foreign exchange market.
3. Use international parity conditions to explain and predict the long-term trends of foreign currencies.
4. Be able to use foreign currency derivatives for hedging or speculating in the currency market.
5. Demonstrate a working knowledge of measuring and managing currency exposures.
6. Demonstrate knowledge and application of investment and financing decisions in a global context.

Prerequisites

The prerequisites for this unit are Accounting 502 and Managerial Finance 530 or equivalents:

This unit assumes that students have an operational competency in using spread sheets.

If you are not well prepared in any of the above areas you should make every effort to remedy the situation through undertaking additional refresher courses and/or practice. Do not hesitate to ask for advice from your tutor.

Key dates

First Block Teaching Commences 15 January 2006
Second Block Teaching Commences 26 February 2006
Midterm Test 26 February 2006
Case Due 7 March 2006
Final Examination 25 March 2006
TEACHING AND LEARNING RESPONSIBILITIES

Teaching and learning strategies

This unit is a combination of lecture, discussion, problem solving and case studies.

Charter of student rights

This Charter of Student Rights upholds the fundamental rights of students who undertake their education at the University of Western Australia.

It recognises that excellence in teaching and learning requires students to be active participants in their educational experience. It upholds the ethos that in addition to the University's role of awarding formal academic qualifications to students, the University must strive to instil in all students independent scholarly learning, critical judgement, academic integrity and ethical sensitivity. The charter outlines the rights and responsibilities for both students and staff of the university and you are encouraged to refer to the charter at: http://www.guild.uwa.edu.au/info/student_help/student_rights/charter.shtml.

Use of student feedback

Student feedback is used in two ways. First, at the end of each day, a short questionnaire will be used to determine what issues have arisen that need to be addressed during the next meeting. This short-term feedback is used to strengthen the areas where students believe more work is needed.

On a longer-term basis, student feedback is essential to the development and evolution of the unit. The unit’s presentations/interactions are continually evolving and the suggestions/comments provided by each set of students impact how the unit will be changed for future students.

ASSESSMENT MECHANISM

The purpose of assessment

There are a number of reasons for having assessable tasks as part of an academic program. The assessable tasks are designed to encourage you to explore and understand the subject more fully. The fact that we grade your work then gives you an indication of how much you have achieved. Providing feedback on your work also serves as part of the learning process.

Assessment details

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
<th>Due date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midterm Test</td>
<td>20%</td>
<td>26 February</td>
</tr>
<tr>
<td>Case 1 (Group)</td>
<td>25%</td>
<td>28 February</td>
</tr>
<tr>
<td>Case 2 (Individual)</td>
<td>25%</td>
<td>7 March</td>
</tr>
<tr>
<td>Final Examination</td>
<td>30%</td>
<td>25 March</td>
</tr>
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</table>
The standard of assessment

The Graduate School must ensure that the processes of assessment are fair and are designed to maintain the standards of the School and its students. The School follows the University of Western Australia’s grading system

<table>
<thead>
<tr>
<th>Grade</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>HD (Higher Distinction)</td>
<td>80-100%</td>
</tr>
<tr>
<td>D (Distinction)</td>
<td>70-79%</td>
</tr>
<tr>
<td>CR (Credit Pass)</td>
<td>60-69%</td>
</tr>
<tr>
<td>P (Pass)</td>
<td>50-59%</td>
</tr>
<tr>
<td>N+ (Fail)</td>
<td>45-49%</td>
</tr>
<tr>
<td>N (Fail)</td>
<td>0-44%</td>
</tr>
</tbody>
</table>

The School awards marks leading to these grades by using the following general criteria which are presented here as an indication of the School’s expectations. These general criteria may be supplemented by specific standards provided with regard to a particular assignment.

**HD** The student has a clear understanding of theory, concepts and issues relating to the subject and is able to adopt a critical perspective. The student is able to clearly identify the most critical aspects of the task and is able to offer a logically consistent and well articulated analysis within the analytic framework presented in the course. The student is able to draw widely from the academic literature and elsewhere but maintains relevance.

**D** The student has a clear understanding of theory, concepts and issues relating to the subject. The student is able to develop an analysis of an issue using the analytic framework presented in the course and is able to identify and evaluate the critical issues. The student is able to draw upon relevant academic and other material.

**CR** The student demonstrates an understanding of the analytic framework developed in the course and a partial understanding of concepts and issues. The student is able to identify some key issues and is able to present a logical discussion, but with some conceptual errors or gaps between analysis and conclusions shortcoming. The student is able to draw upon an adequate range of references and other materials.

**P** The student generally takes a descriptive rather than analytic approach to the subject. The student is able to demonstrate some understanding of the issues involved but does not demonstrate the ability to apply the analytical framework which had been developed in the course. Draws primarily upon course materials for referencing.

**N+** The student is unable to demonstrate that he or she understands the core elements of the subject matter. The student is able to provide some insight into issues but misapplies analytic framework developed in course, omitting key factors and, for example, drawing conclusions which are not related to the preceding discussion.

**N** The student is unable to demonstrate any understanding of the subject matter. Material presented for assessment is unrelated to course framework and shows no effort to identify or address critical aspects of the topic.

The scaling of marks to ensure comparability between classes in an acceptable academic practice. The GSM and Board of Examiners has the right to scale marks where it is considered necessary to maintain consistency and fairness.
Assessment components

Assessment 1

Mid Term Test (20%)

This is a one and a half hour examination. It is based on the material in the lectures, on the assigned readings from the text, and on the assigned questions and problems. It examines the material covered in the first teaching block and its associated tutorials. Formulae and tables are NOT supplied in the examination. It is held at the commencement of the second teaching week, 26 February. Its value is 20%. You are permitted to take your textbook into the test.

Assessments 2 (25%) and 3 (25%)

Two cases will be assigned for the unit. The first case will be a group effort with groups of up to 4 students. The second case is to be completed individually. Both cases are valued at 25% each. Instructions on the format of the presentation and the assessment criteria will be distributed in class.

Final exam (30%)

This is a three-hour examination, preceded by a 10 minute reading time. It is based on the material in the lectures, on the assigned readings from the text, and on the assigned questions and problems. While it examines the whole unit, there is an emphasis on that material in the second-half of the unit. Students should expect one question on 5 topics plus 50 multiple choice questions. You are permitted to take your textbook into the examination.

Submission of assignments

Assignments should be submitted in class on the due date or if handed into the office; a standard cover sheet should be used and a receipt will be issued.

Late assignments will attract a penalty of 5% per day. This penalty will be waived by the lecturer only in exceptional circumstances. No marks will be awarded to assignments submitted after other students in the class have had their assignments returned.

It is the intention that the marked assignments will be returned within two weeks of submission.
ETHICAL SCHOLARSHIP, ACADEMIC LITERACY AND ACADEMIC MISCONDUCT

Ethical scholarship is the pursuit of scholarly enquiry marked by honesty and integrity.

Academic Literacy is the capacity to undertake study and research, and to communicate findings and knowledge, in a manner appropriate to the particular disciplinary conventions and scholarly standards expected at university level.

Academic misconduct is any activity or practice engaged in by a student that breaches explicit guidelines relating to the production of work for assessment, in a manner that compromises or defeats the purpose of that assessment. Students must not engage in academic misconduct. Any such activity undermines an ethos of ethical scholarship. Academic misconduct includes, but is not limited to cheating, or attempting to cheat, through:

- Collusion
- Inappropriate collaboration
- Plagiarism (see more details below)
- Misrepresenting or fabricating data or results or other assessable work
- Inappropriate electronic data sourcing/collection
- Breaching rules specified for the conduct of examinations in a way that may compromise or defeat the purposes of assessment.

Penalties for academic misconduct vary according to seriousness of the case, and may include the requirement to do further work or repeat work; deduction of marks; the award of zero marks for the assessment; failure of one or more units; suspension from a course of study; exclusion from the University, non-conferral of a degree, diploma or other award to which the student would otherwise have been entitled. Refer to the Ethical Scholarship, Academic Literacy and Academic Misconduct and individual Faculty policies. For further information on the rules and procedures in respect of appropriate academic conduct you should visit:

http://www.teachingandlearning.uwa.edu.au/tl/academic_conduct

Acknowledgements and plagiarism

In the course of your individual and group work assignments, you will encounter ideas from many sources. These will include journal and newspaper articles, commentaries, books, web sites and other electronic sources, original case sources, lecture materials. All MBA assignments that you submit must acknowledge all the different sources you have used. Not to acknowledge your sources is plagiarism, a form of dishonesty. Plagiarism is the misappropriation of the work or ideas of others and presenting them as your own. This is reprehensible from both an ethical and legal viewpoint. Neither the School nor the University accepts ignorance or the fact that a student’s previous acts of plagiarism had been undetected as a defence.

In order to avoid engaging in plagiarism it is your responsibility to acknowledge all of your sources in any work submitted for assessment and it is essential that you reference the work of others correctly. Where you quote directly from a source, you must ensure that any direct quotations are placed in quotation marks and are fully referenced. Even when you do not quote directly and are just referring to or expanding on the work of others, you must still acknowledge the sources of your information and ideas. Close paraphrasing in which you change a few phrases around, leave a clause out of a long sentence or put the original sentences in a different order is still plagiarism. To mark words as a quotation the entire text that has been copied should be enclosed within quotation marks. If the copied text is four or more lines in length, it may be more appropriate to set it as a separate and indented paragraph. Each time that text is copied, the source must be acknowledged with a reference citation, including the page number.

Advice on proper referencing is given below. If you have any doubts concerning appropriate referencing formats or how to acknowledge the work of others correctly, you should seek the advice of your lecturer.
Referencing

It is important that the referencing of any sources used in your written work is done properly, if only to substantiate the points you are making in your assignment or project. The Harvard style is the preferred and there are some notes for guidance which have been prepared by the library staff: ‘Citing your sources Harvard Style’

Endnote is a really good system for building up a database of references. Not everyone will want to invest the time in using this system but you should consider it if you intend to build up resource materials or plan to undertake extensive research in a particular area. The library staff have also developed a tutoring package: ‘A quick Guide to Using EndNote’ which provides the basics for using EndNote with an essay http://www.library.uwa.edu.au/guides/endnote/quick_endnote.pdf

This is linked to from the how to Use End Note page www.library.uwa.edu.au/guides/endnote/ which provides more comprehensive information.

Appeals against academic assessment

In the first instance, students are strongly advised to talk informally to the lecturer about the grade awarded. The University provides the opportunity for students to lodge an appeal against any mark which he or she feels is unfair. Any student making an appeal is under an obligation to establish a prima facie case by providing particular and substantial reasons for the appeal.

There is a 12 day time limit for making any such appeal. An appeal against academic assessment may result, as appropriate, in an increase or decrease in the mark originally awarded. The University regulations relating to appeals and the form on which the appeal should be lodged can be found in the GSM website or at http://www.publishing.uwa.edu.au/handbooks/interfaculty/PFAAAA.html

TEXTBOOKS AND RESOURCES

Textbook(s)
Recommended/required text(s)


Additional resources and reading material

Books

Most modern international finance texts cover similar material to that found in the prescribed textbook. Look especially for titles commencing with “International” or “Multinational” followed by either “Finance” or “Corporate Finance” or “Business Finance” with maybe either “Analysis” or “Management”. You are encouraged to review other textbooks for new applications and problems as well as to help you achieve a deeper understanding of many of the theoretical and analytical concepts presented in this unit.

Some of the references are from other countries in which topics such as legislative or structural matters, taxation and the organisation of capital markets are likely to be quite different. However, the basic principles do not vary, especially for an international study.


**Financial Press and Websites**

Students are expected to keep abreast of current developments in the capital markets by reading regularly the major national financial and business newspapers and journals. In addition to the textbook and assigned readings, the following newspapers, magazines, and websites are useful references.

- **Australian Financial Review**
- **Forbes**
- **Shares Weekly**
- **The Wall Street Journal**


http://www.fernstewart.com/evaabout/whatist.shtml

http://pages.stern.nyu.edu/~adamodar/New_Home_Page/lectures/eva.html

**Business Week**

**Fortune**

**The Asian Wall Street Journal**

http://finance.yahoo.com

http://www.realoptions.dk

http://www.riskgrades.com

http://www.tradingroom.com.au

Software requirements

Students should have spreadsheet and word processing skills.
UNIT STRUCTURE

Seminar topics

<table>
<thead>
<tr>
<th>Week</th>
<th>Day</th>
<th>Chapters</th>
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<tbody>
<tr>
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<td>Chapters 1 - 5</td>
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<td>Tutorial</td>
<td>26 January</td>
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<tr>
<td>Tutorial</td>
<td>9 February</td>
<td>Review chapters and prepare for exam</td>
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<tr>
<td>Week 2</td>
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<tr>
<td>Teaching</td>
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<td>Chapters 11 - 15</td>
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<tr>
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<tr>
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<tr>
<td>Teaching</td>
<td>28 February</td>
<td>Chapters 19 - 20</td>
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<tr>
<td>Week 2</td>
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<tr>
<td>Tutorial</td>
<td>7 March</td>
<td>Review chapters and assigned problems</td>
</tr>
<tr>
<td>Week 3</td>
<td>7:00pm – 10:00pm</td>
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<tr>
<td>Tutorial</td>
<td>16 March</td>
<td>Review chapters and prepare for exam</td>
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<tr>
<td>Week 4</td>
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<td>Exam</td>
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<tr>
<td></td>
<td>9:00am – 12:00pm</td>
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</tr>
</tbody>
</table>

Attendance

Participation in class, whether it be listening to a lecture or getting involved in other activities, is an important part of the learning process. For this reason the GSM has decided not to move to on-line teaching. It is, therefore, important that you attend classes (and be on time).

More formally, the University regulations state that ‘to complete a course or unit students shall attend prescribed classes, lectures, seminar and tutorials’. Students should not expect to obtain approval to miss more than two classes per unit, unless there are exceptional circumstances.

Taping of Lectures

The Graduate School does not provide tape recordings of lectures, however if you do wish to tape record a lecture then as a matter of courtesy, you should obtain the permission of the lecturer first.