International Financial Management

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International Financial Management (B40.3388)

Course Summary/Description

*International Financial Management* applies the theories, concepts and practices of global financial markets to the financial challenges today facing corporations seeking to conduct international business. The course explores both the corporate and environmental setting for conducting a myriad of international financial transactions. These range from the management of the firm’s global exposure to foreign exchange fluctuations, to the financing strategies employed for minimizing the firm’s global cost of capital, to the investment challenges presented by today’s global economy.

Course Overview and Learning Objectives

*International Financial Management* applies the theories, concepts and practices of global financial markets to the financial challenges today facing corporations seeking to conduct international business. The course takes a hands-on approach to the subject, placing students in the shoes of the international corporate financial decision-maker, e.g., the Chief Financial Officer (CFO).

By bringing both theory and practice together, the course looks at both the corporate and environmental setting for conducting a myriad of international financial transactions. These range from the management of the firm’s global exposure to foreign exchange fluctuations, to the strategies employed for minimizing the firm’s global cost of capital, to the investment challenges presented by today’s global economy. The course delves into a wide array of specialized and current areas including the global derivatives market (including FASB Statement 133), global financing techniques (including the newest restructuring techniques) and international investment management strategies.
Course Requirements and Expectations

International Financial Management has a number of required readings* and examinations. These include:

- Required Assignments – There is a course project. This project is explained at the end of the syllabus.
- Required Examinations – There will be two examinations – a mid-term and a comprehensive final. The format (and weighting) of the exams will be discussed and determined during the semester.

* As the course is designed to be highly interactive, students are encouraged to complete all cases and project assignments in a timely fashion. Class participation, and the timely completion of work, will not go unnoticed.

Please note, class dates for specific subjects, required assignments and examinations will be indicated on the first day of class.

Getting in Touch

Students can e-mail me at fmilitello@finquestpartners.com. Should you wish to meet with me before class, just let me know and we can arrange for an appropriate time.

Course Syllabus

International Financial Management

Sessions One and Two

Introduction – Course goals and objectives.

The international financial decision-making environment: Markets, Theories and Practices.

Read – Chapters 1-8.
Sessions Three and Four

Foreign Exchange Exposure:

- Accounting exposure – definition, measurement and financial statement impacts.
- Economic exposure – definition, measurement and business/competitive impacts.
- Corporate exposure – definition, measurement and business/competitive impacts.
- Corporate practices – examples from the real world.
- Corporate policy dilemmas and resolutions.

Read – Chapters 9-11.

Sessions Five and Six

Foreign Exchange Management:

- “Hedging exposures” – From FASB 52 to FASB Statement 133
- Managing economic exposure – business and operational responses.
- Corporate practices – examples from the real world.
- Corporate policy dilemmas and resolutions.

Read – Chapters 9-11.

Session Seven – Mid-term Examination

Sessions Eight, Nine and Ten

Financing Foreign Operations:

- Goals and objectives of international financing.
- Short-term alternatives.
- Long-term alternatives.
- Special financing vehicles.
- Indirect financing techniques – including swaps and other derivatives.
- Integration of finance into financial and business strategies – from exposure management to business restructuring.

Read – Chapters 12-14.
**Sessions Eleven**

International Business Investment Strategies:

- The role of the finance function in investment strategy.
- The international decision-making environment.
- International capital budgeting and the firm’s global cost of capital.
- Current objectives of global finance/investment strategies – creating shareholder value through finance.
- Corporate practices – examples from the real world.

*Read* – Chapters 15-17.

**Session Twelve**

Managing the international corporate finance “function:”

- Structural and organizational trends/developments.
- Lessons from the management “gurus.”
- Challenges for the global CFO into the new millennium.

*Readings to be assigned*

**Session Thirteen**

Examination preparation and/or review.

**Final Examination**

*Take-Home Project*

The take-home project will comprise 30% of the final grade.

You may work in teams or individually. Teams should comprise no more than five students and team projects should reflect “team thinking.”

The project end game is as follows.

Specifically, you are to put yourself in the shoes of a corporate treasurer of a major international company. You have been asked to develop a presentation on how foreign exchange impacts your company and to develop a full presentation illustrating this – plus a policy covering how you would recommend the company manage its exposures to foreign exchange adjustments.
Each week you will be given a series of questions and guidelines that will help you formulate each section of your presentation and ultimately the development of your policy statement. You should execute these assignments as we move through the relevant topics in class.

Your company, and the proposed team (if applicable) must be approved by me. Basic guidelines for company selection should include:

- A company with approximately 30% or more of its global sales coming from international operations – not exports or imports – but actual production and distribution abroad.
- A company that preferably has international operations in both developed and less developed (emerging) markets.
- A company that has a significant amount of inter-company or cross-border transactions, e.g., sources in one country, produces in another and distributes in still others.
- A company that has an annual report and 10K report that is well documented with regard to how foreign exchange impacts both its businesses and its financial statements. The reports should discuss the company’s approach to hedging and the use of financial instruments – including debt.
- A company that is covered by the press or in the financial literature, e.g., journal/magazine articles and possible research studies.

At mid-semester, I will be pleased to review all projects and comment on their progress – as well as making suggestions for improvement.

This is a very exciting and practical project especially in light of Enron-related developments. You will be focusing not on historic reporting but ultimately on developing a presentation and policy for each company that will seek to identify currency impacts, financial choices, and policies that will dictate sound financial management practices on a pro-active basis.