

**THE UNIVERSITY OF HONG KONG**  
**FACULTY OF BUSINESS AND ECONOMICS**  
**FINA2383 International Financial Management**

**GENERAL INFORMATION**

Instructor: Dr. Yan Xu  
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Lecture: FINA2383: TBA

Consultation times: by appointments

Tutor: TBA

Pre-requisites: ECON1210 Introduction to Economics I and FINA1310 Corporate Finance

Co-requisites: NA

Mutually exclusive:

Course Website: MOODLE via HKU portal

Other information:

**COURSE DESCRIPTION**

This course provides a rigorous introduction to the fundamental principles of international financial management. The goal is to provide a framework for making financial decisions in an international context. Topics to cover include: foreign exchange markets, parity conditions on foreign exchange rates, currency investments, currency risk management, derivative contracts on currencies, international capital markets, international portfolio diversification, and multinational capital budgeting.

**COURSE OBJECTIVES**

1. The international financial environment, where we study the core of the material on foreign exchange. Topics to be discussed include foreign exchange markets and international parity propositions
2. Currency risk management, where we study how the exchange rates volatility creates risks for corporations and how these risks can be managed
3. International portfolio investment and international corporate finance, where our focus is on multinational capital budgeting. Students will be exposed to a broad range of topics, including some of the latest developments in global financial markets.

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<b>FACULTY GOALS</b>			
Goal 1: Acquisition and internalization of knowledge of the programme discipline			
Goal 2: Application and integration of knowledge			
Goal 3: Inculcating professionalism			
Goal 4: Developing global outlook			
Goal 5: Mastering communication skills			
Goal 6: Cultivating leadership			
<b>COURSE LEARNING OUTCOMES</b>			
<b>Course Learning Outcomes</b>			<b>Aligned Faculty Goals</b>
<b>CLO1.</b>	Describe and understand the basic types of foreign exchange rate quotations.		1, 3, 5, 6
<b>CLO2.</b>	Apply the law of one price to derive cross exchange rate quotation and conduct triangle arbitrage in an efficient financial market.		1, 2, 4
<b>CLO3.</b>	Understand parity conditions, especially the interest rate parity.		1, 2
<b>CLO4.</b>	Understand the categorization and effect of foreign exchange exposure.		1, 2
<b>CLO5.</b>	Identify and design the basic risk management strategies to effectively conduct netting, hedging, and offsetting foreign exchange exposure.		1, 2, 3, 6
<b>CLO6.</b>	Derive pricing bounds and apply binomial and Black-Scholes (if time allows) approach in pricing European and American options.		1, 2
<b>CLO7.</b>	Understand the diversification effect of international portfolio investment.		1, 2
<b>CLO8.</b>	Apply adjusted net present value model in an international environment.		2, 3, 4, 6
<b>COURSE TEACHING AND LEARNING ACTIVITIES</b>			
<b>Course Teaching and Learning Activities</b>		<b>Expected contact hour</b>	<b>Study Load (% of study)</b>
T&L1. Lectures		36 hours	27.27%
T&L2. Assignments		36 hours	27.27%
T&L3. Tutorials		12 hours	9.09%
T&L4. Self-study		48 hours	36.36%
Total			100%
<b>Assessment Methods</b>	<b>Brief Description (Optional)</b>	<b>Weight</b>	<b>Aligned Course Learning Outcomes</b>
A1. In-Class and Tutorial Performance		5%	CLO 1, 2, 3, 4, 5, 6, 7, 8
A2. Assignments		25%	CLO 1, 2, 3, 4, 5, 6, 7, 8
A3. Mid-term Examination		30%	CLO 1, 2, 3, 4, 5,6

A4. Final Examination		40%	CLO 1, 2, 3, 4, 5, 6, 7, 8
	Total	100%	

### STANDARDS FOR ASSESSMENT

#### Course Grade Descriptors

A+, A, A-	Exhibited high level of understanding of the course materials through excellent performance in class discussion, assignments and term tests.
B+, B, B-	Exhibited reasonably high level of understanding of the course materials through good performance in class discussion, assignments, and term tests.
C+, C, C-	Exhibited fair level of understanding of the course materials.
D+, D	Exhibited limited level of understanding of the course materials.
F	Exhibited low level of understanding of the course materials.

**Assessment Rubrics for Each Assessment** (Please provide us the details in a separate file if the space here is not enough)

#### A1 In-Class and Tutorial Performance

A+ A A-	B+ B B-	C+ C C-	D+ D	F
Extremely well prepared for class discussion, very active in sharing views and attended almost all lectures and tutorials.	Partially prepared for class discussion, quite active in sharing views and attended most of the lectures and tutorials	Not well prepared for class discussion, limited active in sharing views and attended many of the lectures and tutorials.	Not well prepared for class discussion, no sharing of views and attended some of the lectures and tutorials	Poorly prepared for class discussion and no sharing of views and experience and rarely attended lectures and tutorials.

**A2 Assignments: for numerical questions/homework, please refer to the following table:**

A+ A A-	B+ B B-	C+ C C-	D+ D	F
Submitted all homework with excellent accuracy.	Submitted well written homework with good accuracy.	Submitted homework with fair level accuracy.	Submitted homework with limited accuracy.	Poorly written homework or no submission.

**A2 Assignments: for essay type problems, please refer to the following grading criteria:**

Grade	Depth and breadth of Coverage, critical elements, structure, language and
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	<b>conventions</b>
A+,A, A-	<p>All aspects were addressed and researched in great depth.</p> <p>Demonstrated a clear understanding of and the ability to apply the theory, concepts and issues relating to the topic.</p> <p>Clearly identified the most critical aspects of the task and adopted a critical perspective.</p> <p>Developed excellent argument and offered a logically consistent and well-articulated analysis and insight into the subject.</p> <p>Drew widely from the academic literature and elsewhere whilst maintaining relevance.</p> <p>All aspects conformed to a high academic / professional standard.</p>
B+, B, B-	<p>Most aspects were addressed and researched in depth.</p> <p>Demonstrated a good understanding and some application of the theory and issues relating to the topic.</p> <p>Identified critical aspects of the task and adopted a critical perspective.</p> <p>Showed some evidence of analysis, supported by logical argument and insight into the subject.</p> <p>Drew on relevant academic and other material.</p> <p>Most aspects conformed to a high academic / professional standard.</p>
C+, C, C-	<p>Most aspects were addressed and researched adequately.</p> <p>Demonstrated a good understanding of the theory, concepts and issues relating to the topic but limited application relating to the topic.</p> <p>Some presented argument showed some insight but not always consistent and logical.</p> <p>Drew upon an adequate range of academic and other material.</p> <p>Most aspects conformed to an acceptable academic / professional standard.</p>
D+, D	<p>Basic aspects were addressed and researched adequately. Demonstrated mainly description, showing basic understanding of the topic but no application.</p> <p>Showed little evidence of analysis but no clear and logical argument relating to the subject.</p> <p>Drew primarily upon course materials.</p> <p>Limited aspects conformed to academic / professional standards.</p>
F	<p>Basic aspects were superficial, inadequate or absent.</p> <p>Demonstrated limited understanding of the topic and drew conclusions unrelated to the topic.</p> <p>The written work was not of an academic / professional standard.</p>

### **A3 and A4 Midterm and Final Exam**

Midterm and final exam may include three types of questions: multiple choice, calculation problems, and essay questions. Multiple choice and calculation problems are graded according to the marks

assigned to each question. Essay questions are graded according to the following criteria:

<b>A+ A A-</b>	<b>B+ B B-</b>	<b>C+ C C-</b>	<b>D+ D</b>	<b>F</b>
Idea development is insightful and sophisticated; Supporting evidence is convincing, accurate and detailed. Well written with clear focus.	Idea development is clear and thoughtful; Supporting evidence is sufficient and accurate. Well written.	Idea development is simplistic and lacking in relevance; Supporting evidence insufficient but accurate. Somewhat well written.	Idea development is superficial and ineffective; Supporting evidence is insufficient and inaccurate. Writing is unclear.	Idea development is absent; Supporting evidence is vague or missing. Poorly written.

#### **COURSE CONTENT AND TENTATIVE TEACHING SCHEDULE**

The following topics will be covered:

- Introduction to international finance (Chapter 1)
- Introduction to spot and forward exchange rate (Chapter 5)
- International parity conditions (Chapter 6)
- Foreign exchange exposure and management of economic exposure (Chapter 9)
- Currency futures and options and basic pricing relationships (chapter 7)
- Management of transaction exposure (Chapter 8)
- Interest rate swaps and Currency swaps (Chapter 14)
- International portfolio investment (Chapter 15)
- International capital structure and cost of capital (Chapter 17)
- Adjusted net present value model and international capital budgeting (Chapter 18)

#### **REQUIRED/RECOMMENDED READINGS & ONLINE MATERIALS** (e.g. journals, textbooks, website addresses etc.)

C. S. Eun and B. G. Resnick, McGraw-Hill, International Financial Management, 9<sup>th</sup> Edition, McGraw-Hill, 2020

#### **MEANS/PROCESSES FOR STUDENT FEEDBACK ON COURSE**

conducting mid-term survey in additional to SETL around the end of the semester

#### **COURSE POLICY** (e.g. plagiarism, academic honesty, attendance, etc.)

##### **Class Conduct**

Students are required to attend all classes on time. If you miss a class, it is entirely your responsibility for what you have missed. Use of mobile phone or chatting is strictly prohibited when the class is in session. Remember to turn off or mute the phone before each session. The instructor has the

discretion to give penalty in case of class misconduct.

Respect your instructors and your fellow students. Be considerate to others.

### **Academic Dishonesty**

The University Regulations on academic dishonesty will be strictly enforced! Please check the University Statement on plagiarism on the web: <http://www.hku.hk/plagiarism/>

Academic dishonesty is any act that misrepresents a person's own academic work or that compromises the academic work of another. It includes (but not limited to) cheating on assignments or examinations; plagiarizing, i.e., representing someone else's ideas as if they are one's own; sabotaging another's work.

If you are caught in an act of academic dishonesty or misconduct, you will receive an "F" grade for the subject. The relevant Board of Examiners may impose other penalty in relation to the seriousness of the offense.

### **ADDITIONAL COURSE INFORMATION** (e.g. e-learning platforms & materials, penalty for late assignments, etc.)

- Announcement, assignments, and lecture slides will be posted on the course MOODLE website. Hard copy of lecture notes will not be provided.
- No late assignments will be accepted. A peer evaluation may be conducted to survey group assignment contribution at the end of the term. Those who under-contribute will be penalized.