Year and Semester: 2011, S2
Unit convenor: Damian Bridge
Prerequisites: ACST603 or admission to MCom or MIB or MEc or MActPrac prior to 2011
Credit points: 4

Students in this unit should read this unit guide carefully at the start of semester. It contains important information about the unit. If anything in it is unclear, please consult one of the teaching staff in the unit.

ABOUT THIS UNIT

The focus of ECON867 is to provide the student with a thorough introduction to the tools required by a financial manager to operate in the international business environment. This includes developing a full understanding of the foreign exchange market and its operation; the relationships between exchange rates, interest rates, and price levels; the financial instruments that facilitate the conduct of international corporate activity, including currency risk management; and how international corporations make financing and investment decisions.

TEACHING STAFF

<table>
<thead>
<tr>
<th>Lecturer</th>
<th>Class Times and Locations</th>
<th>Office Hours:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Damian Bridge</td>
<td>Wed 18:00 – 21:00 E7B T3</td>
<td>TBA</td>
</tr>
<tr>
<td>Office: E4A</td>
<td>Thu 11:00 – 14:00 W5C 220</td>
<td></td>
</tr>
<tr>
<td><a href="mailto:damian.bridge@iinet.net.au">damian.bridge@iinet.net.au</a></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CONSULTATION TIMES

You are encouraged to seek help at a time that is convenient to you from a staff member teaching on this unit during their regular consultation hours. In special circumstances, an appointment may be made outside regular consultation hours.
Staff will not conduct any consultations by email. You may, however, phone staff during their consultation hours.

In order to gain access to staff located at levels 1, 2 and 3 of building E4A during their consultation hours please ring the staff member from the phones available in the lobby (phone numbers of relevant staff members will be provided on Blackboard and are available next to the phones).

Students experiencing significant difficulties with any topic in the unit must seek assistance immediately.

**CLASSES**

- The class sessions will be conducted typically conducted as lectures (2 hour lecture and one hour tutorial), with practical examples and problems introduced where appropriate.
- The timetable for classes can be found on the University web site at: [http://www.timetables.mq.edu.au/](http://www.timetables.mq.edu.au/)

**PRIZES**

- Information on applicable prizes can be found at [http://www.businessandeconomics.mq.edu.au/undergraduate_degrees/prizes_scholarships](http://www.businessandeconomics.mq.edu.au/undergraduate_degrees/prizes_scholarships)

**REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS**

The text for this class is:


Set chapters for each topic's lecture are drawn from this text and identified in the lecture topic table below. Students should read these chapters prior to the lecture, so that they are familiar with the material to be covered. This will greatly enhance your learning experience. An additional resource is the textbook webpage that contains solutions for selected end-of-chapter problems, internet exercises, a glossary and other additional information. This site may be accessed at [http://www.aw-bc.com/eiteman](http://www.aw-bc.com/eiteman).

The textbook can be purchased from the Macquarie University Co-op Bookshop. Copy of the textbook and the other texts are available in the Macquarie Library.
### COURSE STRUCTURE AND TOPICS

<table>
<thead>
<tr>
<th>Week No.</th>
<th>Date (Week Beginning)</th>
<th>Topic</th>
<th>Chapters</th>
<th>Tutorial Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1 August</td>
<td>Comparative Corporate Governance and Financial Goals The Foreign Exchange Market</td>
<td>ES: 1, 2, 3</td>
<td>No Tutorial</td>
</tr>
<tr>
<td>2</td>
<td>8 August</td>
<td>International Monetary System The Balance of Payments The Global Financial Crisis</td>
<td>ES: 4, 5, 6</td>
<td>Chapter 1 Questions 2,4,5,8,9 Problems 6 – 10 Chapter 2 Problems 1-3,11,14 Chapter 3, Problems 2,4,6,13</td>
</tr>
<tr>
<td>3</td>
<td>15 August</td>
<td>International Parity Conditions Foreign Exchange Determination and Forecasting</td>
<td>ES: 7, 10</td>
<td>Chapter 4 Questions 3,4,5,7,8,9 Chapter 5 Questions 1,6,8 Chapter 6 Problems 2,7,13,14</td>
</tr>
<tr>
<td>4</td>
<td>22 August</td>
<td>Valuation of Financial Options Foreign Currency Derivatives</td>
<td>ES: 8</td>
<td>Chapter 7 Questions 1,4,8,9 Problems 6,10,11,12 Chapter 10 Questions 6,10-15</td>
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<tr>
<td>5</td>
<td>29 August</td>
<td>Interest Rate and Currency Swaps</td>
<td>ES: 9</td>
<td>Chapter 8 Problems 1,4,6,8 – 15</td>
</tr>
<tr>
<td>6</td>
<td>5 September</td>
<td>Transaction Exposure Operating Exposure</td>
<td>ES: 11, 12</td>
<td>Chapter 9 Problems 1,2,7,10</td>
</tr>
<tr>
<td>7</td>
<td>12 September</td>
<td>Mid-semester test (one hour duration)</td>
<td>No Tutorial</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td><strong>Mid Semester Break</strong></td>
<td></td>
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</tr>
<tr>
<td>8</td>
<td>3 October</td>
<td>The Global Cost and Availability of Capital</td>
<td>ES: 14</td>
<td>Chapter 11 Questions 6,8 Problems 1,5,9,10,15 Chapter 12 Questions 8,10 Problems 1-3, 5</td>
</tr>
<tr>
<td>9</td>
<td>10 October</td>
<td>Financing the Global Firm</td>
<td>ES: 15, 16</td>
<td>Chapter 14 Questions 7,8,13 Problems 4,6</td>
</tr>
<tr>
<td>10</td>
<td>17 October</td>
<td>International portfolio theory and diversification</td>
<td>ES: 17</td>
<td>Chapter 15 Questions 1,3,8 Problems 1,3 Chapter 16 Questions 5,9,10,12 Problems 6,7</td>
</tr>
<tr>
<td></td>
<td>Date</td>
<td>Topic</td>
<td>ES:</td>
<td>Notes</td>
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</tr>
<tr>
<td>11</td>
<td>24 October</td>
<td>Foreign Investment Decisions</td>
<td>18, 19</td>
<td>Chapter 17 Questions 3, 6-10 Problems 1,3</td>
</tr>
<tr>
<td>12</td>
<td>31 October</td>
<td>Working Capital Management</td>
<td>21</td>
<td>Chapter 18 Questions 4,7,11,14 Chapter 19 Questions 3,8</td>
</tr>
<tr>
<td>13</td>
<td>7 November</td>
<td>Revision</td>
<td></td>
<td>Chapter 21 Questions 1, 3, Problems 3, 4</td>
</tr>
</tbody>
</table>

**IMPORTANT DATES**

- Early-semester test: **Week 4** (to be held in the lecture room).
- Mid-semester test: **Week 7** (to be held in the lecture room).
- Mid-semester break: **17 September – 2 October**
- Assignment is due: 12 Noon **Friday 27 October** (hardcopies to be submitted to boxes provided in BESS or handed in class)
- Final exam: The 2-hour final examination for this unit will be held during the University Examination period. The University Examination period in Second Half Year 2011 is from 14 November 2011 to 2 December 2011

**ASSESSMENT**

Assessment will be based on tutorial questions, a semester assignment, a mid-semester test and an examination, with the following weights:

- Early Semester Test 10%
- Group assignment 20%
- Mid-semester Test 20%
- Examination 50%

- **Early Semester test**
  The early semester test will be a multiple choice quiz of up to one hour duration. It will contain multiple choice questions and cover everything taught up to and including Week 3.

- **MID-SEMESTER TEST**
  The mid-semester test will be a test of one hours duration. It will cover everything taught up to and including Week 5.

- **GROUP ASSIGNMENT - NO LATE SUBMISSIONS WILL BE ACCEPTED!**
  The topic (max. 2,500 words) will be posted on blackboard. The assignment is to be submitted by **October 27** to the ECON867 boxes in BESS (E4B).
The essay must be submitted using the official cover sheet, with the plagiarism declaration (available on the unit homepage) signed. It is your responsibility to keep a dated, witnessed copy of your assignment in the case of any mishandling.

- **FINAL EXAM**
  May consist of both multiple choice and written problem questions and will be set over a duration of two hours. All materials covered in the text book shall be examinable.
TECHNOLOGY USED AND REQUIRED

- Students will require access to the internet to download lecture slides and tutorial solutions.
- The textbook also contains applicable online resources that must be accessed by the internet.
- The assignment will require the use of word processing and/or spreadsheet programs.

UNIT WEB PAGE

- Course material is available on the learning management system (BlackBoard).
- There is no web page for this unit.

LEARNING OUTCOMES

The globalization of financial markets offers opportunities but it also introduces new risks. As a response, novel investment techniques and market as well as credit risk management models have been introduced or are in the development stage. This unit, will help you manage, and keep abreast of, changes which will accompany you in your future professional career.

The learning outcomes of this unit are:

1. Demonstrate and understanding of the concepts and processes of International Financial Markets
2. Understand foreign exchange markets and what drives exchange rate determination
3. Value, describe and evaluate Financial and Foreign Currency Derivatives
4. Understand and explain the concepts of transaction and operating exposures in international markets
5. Understand the concepts of portfolio creation and international finance
6. Analyse the issues surrounding the global availability of capital in the context of International Portfolio Theory

GRADUATE CAPABILITIES

In addition to the discipline-based learning objectives, all academic programs at Macquarie seek to develop the capabilities the University's graduates will need to develop to address the challenges, and to be effective, engaged participants in their world.

This unit contributes to this by developing the following graduate capabilities:

1. Application of Finance Theory to International Markets
2. Ability to analyse situations from an International Finance perspective
3. Critically analyse current and historical issues in International Finance
4. Use of Integrative thinking to understand the role that International Finance has in Corporate Finance.
5. Solve problems relevant to Finance from an International Finance perspective.

**TEACHING AND LEARNING STRATEGY**

Each lecture is self-contained and structured according to the summary provided in the “Course structure and topics” section above. Students are expected to read the relevant chapters prior to the lecture, so that they are familiar with the material to be covered. This will greatly enhance your learning experience.

Dealing with advanced material in our subject area requires a range of generic skills. This unit aims at developing such skills. The lectures and in particular the assignment are tailored to enhance critical analysis, problem-solving and creative thinking, comprehension, computing and writing skills.

Class discussions promote verbal expression while contributions to the Bulletin Board improve your writing skills, which through email serve as an increasingly important communication medium. However, you will only acquire these skills by attending classes, immersing yourself into solving the assignment questions and participating in verbal and written class debates.

You should take the time to work on the problem sets, since they will tend to be similar in nature to the problems you see on the test and exam. Solutions will be provided for the assigned selected questions.

**RESEARCH AND PRACTICE**

- This unit gives you opportunities to conduct your own research

**RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES**

A one hour in class multiple choice test will be conducted in week 4. The purpose of this test is to allow students to assess their progress and identify those students that are struggling with the subject matter. Where students are identified as being at risk they shall be invited to meet with their lecturer to discuss actions that will be implemented to address any issues.
<table>
<thead>
<tr>
<th></th>
<th>Early semester test</th>
<th>Assignment</th>
<th>Mid-semester test</th>
<th>Final exam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due date</td>
<td>Week 4</td>
<td>27 October</td>
<td>Week 7</td>
<td>TBA</td>
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<tr>
<td>% Weighting</td>
<td>10%</td>
<td>20%</td>
<td>20%</td>
<td>50%</td>
</tr>
<tr>
<td>Grading method</td>
<td>Exam</td>
<td>Against assessment criteria, analysis, judgement, recommendations</td>
<td>Exam</td>
<td>Exam</td>
</tr>
<tr>
<td>Submission method</td>
<td>In Class Exam</td>
<td>In class or at BESS</td>
<td>In Class Exam</td>
<td>Centrally conducted Examination</td>
</tr>
<tr>
<td>Feedback (type, method, date)</td>
<td>Nil</td>
<td>Assignments and comments returned to students</td>
<td>Nil</td>
<td>N/A</td>
</tr>
<tr>
<td>Estimated student workload (hours)</td>
<td>1</td>
<td>15</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Learning outcomes assessed</td>
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<td>5</td>
<td>x</td>
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</tbody>
</table>
The group assignment is to be submitted by October 27 to the ECON867 boxes in BESS (E4B) or handed in after the lecture. No extension is available. The essay must be submitted using the official cover sheet, with the plagiarism declaration (available on the unit homepage) signed. It is your responsibility to keep a dated, witnessed copy of your assignment in the case of any mishandling.

**Attendance:** there is no compulsory attendance requirement for the unit.

**Examinations:** a final examination is included as an assessment task for this unit to provide assurance that:

i) the product belongs to the student and

ii) the student has attained the knowledge and skills tested in the exam.

The final examination for this unit will be held during the University Examination period.

You are expected to present yourself for examination at the time and place designated in the University Examination Timetable. The timetable will be available in Draft form approximately eight weeks before the commencement of...
the examinations and in Final form approximately four weeks before the commencement of the examinations.
http://www.timetables.mq.edu.au/exam

The only exception to not sitting an examination at the designated time is because of documented illness or unavoidable disruption. In these circumstances you may wish to consider applying for Special Consideration. The University’s policy on special consideration process is available at
http://www.mq.edu.au/policy/docs/special_consideration/policy.html

If a Supplementary Examination is granted as a result of the Special Consideration process the examination will be scheduled after the conclusion of the official examination period. (Individual Faculties may wish to signal when the Faculties’ Supplementary Exams are normally scheduled.)

The Macquarie university examination policy details the principles and conduct of examinations at the University. The policy is available at:
http://www.mq.edu.au/policy/docs/examination/policy.htm

**ACADEMIC HONESTY**

The nature of scholarly endeavour, dependent as it is on the work of others, binds all members of the University community to abide by the principles of academic honesty. Its fundamental principle is that all staff and students act with integrity in the creation, development, application and use of ideas and information. This means that:

- all academic work claimed as original is the work of the author making the claim
- all academic collaborations are acknowledged
- academic work is not falsified in any way
- when the ideas of others are used, these ideas are acknowledged appropriately.

Further information on the academic honesty can be found in the Macquarie University Academic Honesty Policy at http://www.mq.edu.au/policy/docs/academic_honesty/policy.html

**GRADES**

Macquarie University uses the following grades in coursework units of study:

HD - High Distinction
D - Distinction
CR - Credit
P - Pass
F - Fail

Grade descriptors and other information concerning grading are contained in the Macquarie University Grading Policy which is available at:
All final grades in the Department of Applied Finance and Actuarial Studies are determined by a grading committee and are not the sole responsibility of the Unit Coordinator.

Macquarie University’s Academic Senate has a set of guidelines on the distribution of grades across the range from fail to high distinction. Your final result will include one of these grades plus a Standardised Numerical Grade (SNG).

The Standardised Numerical Grade (SNG) is not a summation of the individual assessment components.

To be awarded a specific grade, students are required to perform at an equivalent standard in the final examination and the overall assessment mark in the unit.

Please also refer to relevant pages in the Handbook of Postgraduate Studies.

**Grading Appeals and Final Examination Script Viewing**

If, at the conclusion of the unit, you have performed below expectations, and are considering lodging an appeal of grade and/or viewing your final exam script please refer to the following website which provides information about these processes and the cut off dates in the first instance. Please read the instructions provided concerning what constitutes a valid grounds for appeal before appealing your grade.

http://www.businessandeconomics.mq.edu.au/new_and_current_students/undergraduate_current_students/how_do_i/grade_appeals

**Special Consideration**

The University is committed to equity and fairness in all aspects of its learning and teaching. In stating this commitment, the University recognises that there may be circumstances where a student is prevented by unavoidable disruption from performing in accordance with their ability. A special consideration policy exists to support students who experience serious and unavoidable disruption such that they do not reach their usual demonstrated performance level. The policy is available at: http://www.mq.edu.au/policy/docs/special_consideration/procedure.html

**Student Support Services**

Macquarie University provides a range of Academic Student Support Services. Details of these services can be accessed at http://www.student.mq.edu.au.

**IT Conditions of Use**
Access to all student computing facilities within the Faculty of Business and Economics is restricted to authorised coursework for approved units. Student ID cards must be displayed in the locations provided at all times.

Students are expected to act responsibly when utilising University IT facilities. The following regulations apply to the use of computing facilities and online services:

- Accessing inappropriate web sites or downloading inappropriate material is not permitted. Material that is not related to coursework for approved unit is deemed inappropriate.
- Downloading copyright material without permission from the copyright owner is illegal, and strictly prohibited. Students detected undertaking such activities will face disciplinary action, which may result in criminal proceedings.

Non-compliance with these conditions may result in disciplinary action without further notice.

Students must use their Macquarie University email addresses to communicate with staff as it is University policy that the University issued email account is used for official University communication.