

**RUTGERS UNIVERSITY – CAMDEN  
SCHOOL OF BUSINESS**

**Multinational Corporate Finance 52:390:350**

**Fall 2017**

**Session: On-Line**

**Professor: Professor Richard A. Michelfelder, Ph.D.**

**Office: Room 437, Business and Science Center**

**Contact Information: Office Telephone 856.225.6919 (has voice mail; prefer email; if you wish to speak with me at any time, send me an email with your phone number and I will call as soon as possible as I have a tendency to not be in my Camden office)**

**e-mail [richmich@camden.rutgers.edu](mailto:richmich@camden.rutgers.edu) (please identify the class in the subject of the e-mail; prefer use of email within CANVAS online course platform)**

**Office Hours: Monday, Wednesday, 2:00 to 3:00 PM, or by appointment.**

**Students with Disabilities**

Students who are seeking an accommodation because of a disability are directed to the website <http://learn.camden.rutgers.edu/disability/disabilities.html> or they can contact the Camden campus Disability Coordinator, Mr. Tim Pure at 856-225-6442, Armitage Hall Room 362. The email address is [disabilityservices@camden.rutgers.edu](mailto:disabilityservices@camden.rutgers.edu). All contact will be considered confidential.

**On-Line Platform: CANVAS**

**Questions and Answers:** All email questions will generally be answered on:

Monday, Wednesday and Friday, although the professor will use best efforts to answer questions as soon as possible.

**Text:** Moffet, Michael H., Arthur I. Stonehill, and David K. Eiteman, *Fundamentals of Multinational Finance*, 6<sup>th</sup> edition, New York: Pearson Publishers, 2018. ISBN: 13-978-0-13-447213-3.

Other readings will be distributed through CANVAS.

### **Course Objective:**

The purpose of this course is to provide an understanding of the international monetary system, exchange rates, and international financial markets (stocks, bonds and mainly foreign currency). Secondly, the course provides an understanding of the added risks faced by the *multinational* firm from exchange rates and risk management methods to hedge (sell; mitigate) the risk. Third, since exchange rate fluctuations are a key risk factor for multinational firms, there will be an emphasis on understanding the tools used for exchange rate forecasting.

### **Learning Objectives:**

The key learning objectives are:

1. You will learn what is a foreign currency exchange rate and how their prices are determined.
2. You will learn what is a multinational corporation and how are they effected by currency exchange rates.
3. You will learn the basic economics of international trade and how it affects and is effected by exchange rates.
4. You will learn the balance of payments among countries and the globe.
5. You will learn the nature of foreign currency markets.
6. You will learn how monetary economics and policy interacts with exchange rates.
7. You will learn the relations between exchange rates (currency market), interest rates (global bond markets), and inflation (good markets).
8. You will learn how to hedge (speculate) to avoid (be exposed to) the risk of exchange rate fluctuations on business decisions.
9. You will learn the nature of foreign currency derivatives such as forward, future, and option contracts to hedge (speculate) exchange rate risk.

### **Overall Policy and Grading:**

#### **ADVISORY NOTE ON COURSE PROGRESS:**

**YOU MUST KEEP UP WITH THE COURSE PROGRESS. STUDENTS WHO DO NOT DO SO IN CLASSROOM COURSES, WHERE THERE IS MORE FACE-TO-FACE ACCESS TO THE PROFESSOR, FIND IT DIFFICULT TO CATCH UP AFTER FALLING BEHIND. REMEMBER THIS IS AN AREA OF FINANCE THAT YOU HAVE VERY LITTLE OR NO BACKGROUND AND THERE IS VERY LITTLE OVERLAP WITH OTHER FINANCE COURSES. THEREFORE, ALMOST ALL OF THE MATERIAL IS NEW TO YOU. IF YOU INTEND ON OR ARE IN THE HABIT OF FALLING BEHIND THEN CATCHING UP, YOU WOULD BE BETTER OFF NOT ENROLLING IN THIS COURSE. THE NATURE OF THE MATERIAL IN THIS COURSE REQUIRES ONGOING AND CONSISTENT DILIGENCE TO LEARN THE MATERIAL AND EXCEL.**

Students are expected to maintain steady progress and keep up with the modules. There is one module assigned each week. There are 7 main topics, broken down into 15 weekly modules in total within the topics. You are to do the readings and quizzes every week and ask any questions that you want in a timely manner. Students are responsible for all text, other assigned readings and any other forthcoming directions in addition to all material that the professor develops and places on-line.

All examinations are comprehensive and course grade will be based on examinations and the weekly quizzes that will stand also as your weekly assignment beyond the readings. The following grading weights are:

First Examination, Tuesday 10/3/2017	5%
Mid-Term Examination, Tuesday 10/24/2017	20%
Final Examination, Monday, 12/18,2017	50%
Weekly discussions / weekly quizzes	25%

The weekly cycle will go from Tuesday morning to the following Monday night. There will be a quiz every week for every module that will be your responses to a set of questions posted at the beginning of each module every Tuesday. For the first week, the cycle for Module 1.1 starts on September 5, 2017 and ends on September 11, 2017. You will have a series of questions posted on Tuesday, September 5, 2017 and the responses to them due on Monday, September 11, 2017 at 11:59 PM. Between Tuesday AM and the following Monday PM, please ask whatever questions that you want.

### **Academic Integrity**

“Academic integrity requires that all academic work be wholly the product of an identified individual or individuals. Joint efforts are only legitimate when the assistance of others is explicitly acknowledged...The principals of academic integrity entail simple standards of honesty and truth. Each member of the university has a responsibility to uphold the standards of the community and to take action when others violate them...Students are responsible for knowing what the standards are and for adhering to them. Students should also bring any violations of which they are aware to the attention of their instructors.”<sup>1</sup>

Students are expected to know, understand and adhere to the policies on academic integrity outlined above. Procedures for violation of these policies outlined in the University Code of Academic Conduct will be followed.

### **ADVISORY NOTE ON ACADEMIC INTEGRITY:**

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<sup>1</sup> Rutgers University Code of Academic Conduct, taken from the Student Advising Handbook - <http://camden-sbc.rutgers.edu/CurrentStudents/students/advising.pdf>.

**THE PROFESSOR MAY USE "TURNITIN" SOFTWARE TO DETERMINE IF A STUDENT DOCUMENT INVOLVES PLAGIARISM. THIS IS AN ACT OF CHEATING AND WILL RESULT IN AN AUTOMATIC FAILURE IN THE COURSE.**

## **COURSE OUTLINE**

### **1. Introduction to Multinational Corporate Finance:**

**Week of 9/5/2017 Module 1.1: What is MCF and What is a Multinational Corporation?**

**Power Point Module 1.1**

**Moffett, et. al., Chapter 1**

**Week of 9/12/2017 Module 1.2: The Economic Theory of Comparative Advantage and International Trade**

**PowerPoint Module 1.2**

**Moffett, et. al, Chapter 1**

**Week of 9/19/2017 Module 1.3: Exchange Rates and the International Monetary System**

**PowerPoint Module 1.3**

**Moffett, et. al., Chapter 2**

**2. The Balance of Trade, Balance of Payments and International Macroeconomics**

**Week of 9/26/2017 Module 2.1: The Balance of Payments and Trade Deficits / Surpluses**

**PowerPoint Module 2.1**

**Moffett, et. al., Chapter 3**

**Week of 10/3/2017 Module 2.2: The Macroeconomy and International Trade**

**PowerPoint for Module 2.2**

**Moffett, et. al., Chapter 3**

**Journal of Economic Perspectives Article**

**3. Foreign Currency Markets: Spot and Forward Markets**

**Week of 10/10/2017 Module 3.1: The Demand for and Supply of Foreign Currency**

**Power Point Module 3.1**

**Week of 10/17/2017 Module 3.2: Functions and Structure of the Foreign Exchange Market**

**Moffett, et. al., Chapter 5**

**Week of 10/24/2017 Module 3.3: Working with Foreign Exchange Quotations**

**Moffett, et. al., Chapter 5**

**4. Exchange Rates, Monetary Theory and Policy: How Changes in the Money Supply Affect Exchange Rates and Forecasting Exchange Rates in the Short Run**

**Week of 10/31/2017 Module 4.1: Macroeconomic Business Cycles and Monetary Policy**

**Power Point Module 4.1**

**Week of 11/7/2017 Module 4.2: Quantity Theory of Money, Inflation, and Exchange Rates**

**Power Point Module 4.2**



**5. Inflation, Interest Rates, and Exchange Rates (Purchasing Power Parity, Interest Rate Parity, and Exchange Rate Forecasting in the Long-Run)**

**Week of 11/14/2017 Module 5.1: Purchasing Power Parity, Inflation and Predicting Foreign Exchange Rates**

**Moffett, et. al., Chapter 6**

**Week of 11/21/2017 Module 5.2: Interest Rates, Inflation, and Predicting Foreign Exchange Rates**

**Power Point Module 5.2**

**Moffett, et. al., Chapter 6**

**6. Hedging and Speculating Foreign Exchange Rate Risk: Currency Futures and Options**

**Week of 11/28/2017 Module 6.1: Exchange Rate Futures Contracts and Futures Markets**

**Power Point Module 6.1**

**Moffett, et. al., Chapter 7**

**Week of 12/5/2017 Module 6.2: Exchange Rate Options Contracts and Options Markets, Comparison of Forwards, Futures, and Options**

**Power Point Module 6.2**

**Moffett, et. al., Chapter 7**

**7. Measuring and Managing Economic, Transaction and Translation Exposure from Doing Business with Exchange Rates**

**Week of 12/12/2017 Module 7.1: Economic, Transaction and Accounting Translation Exposure Risks to Multinational Corporations**

**Power Point Module 7.1**

**Moffett, Chapters 10, 11, 12**

**Quiz: Module 7.1 (Due on Saturday, 12/16/2017 at 11:59 PM after this module is completed.)**

**The final examination is scheduled to be completed and submitted on Monday, 12/18/2017 by 11:59 AM. The examination will be posted at 8 AM on 12/18/2017 and due by the stated time-of-day.**