



PLEASE READ THIS DOCUMENT THOROUGHLY AS IT CONTAINS MUCH INFORMATION ABOUT THE COURSE AND STANDS AS THE AGREEMENT BETWEEN THE PROFESSOR AND STUDENT.

Multinational Finance 52:390:350

Spring 2023

Room: ATG 113

Professor Richard A. Michelfelder, Ph.D.

Office: BSB 437 or on-site in classroom

Contact Information: richmich@rutgers.edu

Course Venue: Face-to-Face, Room ATG 113

Posted will be the syllabus, resources (articles and examples), power point slides, announcements, guides, etc. To access this system, go to <http://canvas.rutgers.edu>, log in, and click on the course on the dashboard.

Office Hours: Every Tuesday, 10 AM to 11 AM Online, in Office (Room 437) by appointment; after class; Webex appointment, phone appointment; please email to schedule

E-mail: richmich@rutgers.edu (please identify the class in the subject line of the e-mail)

Key Spring 2023 Semester Dates

Spring Semester Begins	Tuesday, January 17
Midterm Examination:	Wednesday, March 8
Spring Recess Begins	Saturday, March 11
Spring Recess Ends	Sunday, March 19
Real Estate Symposium* REQUIRED ATTEND.	Wednesday, April 19
Regular Classes End	Monday, May 1
Reading Days	Tuesday, May 2 to Wednesday, May 3
Spring Exams Begin	Thursday, May 4
MF Final Exam	To Be Announced
Spring Exams End	Wednesday, May 10

***Mandatory; more information forthcoming**

Required Text:

A. Shapiro, A. Sarin, *Foundations of Multinational Financial Management*, latest ed., Hoboken: NJ: John Wiley and Sons. ISBN 978-0-470-12895-4 (Previous or more recent editions of Shapiro and Sarin can be used.)

Other readings will be distributed.

Disability Services/Accommodations

The University is committed to supporting the learning of all students and faculty will provide accommodations as indicated in a Letter of Accommodation issued by the Office of Disability Services (ODS). If you have already registered with ODS and have your letter of accommodations, please share this with me early in the course. If you have or think you have a disability (learning, sensory, physical, chronic health, mental health or attentional), please contact <https://success.camden.rutgers.edu/disability-services>.

Accommodations will be provided only for students with a letter of accommodation from ODS. Their services are free and confidential. Letters only provide information about the accommodation, not about the disability or diagnosis.

Academic Integrity

The Academic Integrity policy can be found at <http://studentconduct.rutgers.edu/student-conduct-processes/academic-integrity/>

Students are responsible for understanding the principles of academic integrity and abiding by them in all aspects of their work at the University. Students are also encouraged to help educate fellow students about academic integrity and to bring all alleged violations of academic integrity they encounter to the attention of the appropriate authorities.

Academic Integrity means that you (the student) must:

- properly acknowledge and cite all use of the ideas, results, or words of others,
- properly acknowledge all contributors to a given piece of work,
- make sure that all work submitted as your own in a course activity is your own and not from someone else
- obtain all data or results by ethical means and report them accurately
- treat all other students fairly with no encouragement of academic dishonesty

Adherence to these principles is necessary in order to ensure that:

- everyone is given proper credit for his or her ideas, words, results, and other scholarly accomplishments
- all student work is fairly evaluated and no student has an inappropriate advantage over others
- the academic and ethical development of all students is fostered
- the reputation of the University for integrity is maintained and enhanced.

Failure to uphold these principles of academic integrity threatens both the reputation of the University and the value of the degrees awarded to its students. Every member of the University community therefore bears a responsibility for ensuring that the highest standards of academic integrity are upheld. Violations are taken seriously and will be handled according to University policy.

Course Objectives

The purpose of this course is to provide an understanding of the international monetary system, exchange rates, and impacts on international financial markets (stocks, bonds and foreign currency). Secondly, the course provides an understanding of the added risks faced by the *multinational* firm and risk management methods to hedge or insure some of the risk. Third, since exchange rate fluctuations are a key risk factor for multinational firms, there will be an emphasis on exchange rate forecasting and how an understanding of exchange rates can affect a firm considering a strategy of international investment in specific countries.

Learning Objectives

A partial list of learning objectives includes:

1. You will learn what is a foreign currency exchange rate and how their levels 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.

How to Succeed in This Course

- 1) Read all assigned materials associated with each module during each period assigned.
- 2) Ask many questions, start and participate in discussions with me and other students.
- 3) Be vigilant in keeping up with the course pace. It is economics and fairly quantitative. This is a very fast-paced course with a lot of material and continues to build on previous material.
- 4) Pay close attention to and complete all assignments on-time. They will be extremely important for learning and understanding much of the material.

Student Code of Conduct

Rutgers University-Camden seeks a community that is free from violence, threats, and intimidation; is respectful of the rights, opportunities, and welfare of students, faculty, staff, and guests of the University; and does not threaten the physical or mental health or safety of members of the University community, including in classroom space.

As a student at the University you are expected adhere to the Code of Student Conduct.

To review the code, go to: <https://deanofstudents.camden.rutgers.edu/student-conduct>

Note that the conduct code specifically addresses disruptive classroom conduct, which means "engaging in behavior that substantially or repeatedly interrupts either the

instructor's ability to teach or student learning. The classroom extends to any setting where a student is engaged in work toward academic credit or satisfaction of program-based requirements or related activities."

Overall Policy and Grading

You are responsible for all readings and assignments on a timely basis. Your grade will be determined by the exams, any assignments, course papers, and the course project. Grading is as follows:

Final Examination: 50%

This exam will be essay in nature and will cover all topics in the course.

Midterm Examination: 25%

This exam will be essay in nature and cover approximately half of the topics of the course.

First Examination: 5%

This exam will be essay in nature and cover approximately one and one-half of the topics of the course. This exam is meant as a first status report on how well you are doing with the course material and to get to know the nature of the exams.

Assignments and Course Project: 10%

There will be a few assignments / exercises as we proceed in the course. Also, there will be a course project required to be discussed and outlined in a forthcoming announcement. It will involve the ongoing weekly purchase of a US common stock as a foreign investor (you choose the country) involving the spot purchase of US dollars with the home currency every week. Alternatively, the hedging of the US dollars purchases by purchasing one forward contract at the beginning of the buying period for the estimated amount of all needed US currency for all 15 weeks. Lastly you will compare the results and write a paper summarizing the results.

Participation: 10%

This component grades attendance, awareness in class, avoiding mobile phone use, laptop use and staying in the classroom the entire allotted time. Anyone who repeatedly leaves the room or uses a mobile phone or laptop during class will be assigned a 0 for participation at the professor's discretion. Losing 10% of your course grade means that is almost impossible to get an A as all other grades have to be A+'s. which means flawless.

Missed Examinations Policy:

If, for a university approved reason, you cannot take an exam at the scheduled time you must give the professor written notice at least one week in advance so that other

arrangements can be made. If the situation does not allow for advance notification (for example, emergency hospitalization), contact the professor as soon as possible after a missed exam. Make-up exams for non-university approved reasons are not guaranteed. The professor reserves the right to request written documentation to support your absence (such as a doctor's note, military orders,...).

If your exam is submitted late that is not pre-scheduled or otherwise not subject to the above paragraph, this is the policy:

If the midterm or final exam is submitted less than 24 hours after the due date and time, it will have ½ of a grade reduction. After 24 hours, the midterm exam will not be accepted and no grade will be posted for that exam, which means that all of the exam portion of your course grade will be based on the final exam only. If the final exam is more than 24 hours late, the course grade issued will be an incomplete as course grades cannot be held up because of one or a few student lateness.

Course Grades:

Final course grades will not be issued by the professor in accordance with University Policy. They are available from the Registrar after they are submitted. Any questions or inquiries about final course grades will be done in a meeting or phone call, not email. Any inquiries regarding final course grades, once issued, are final and not subject to change as they are developed very carefully. So if your sole goal of grade review is to attempt to affect your course grade, your attempt will not be successful. However, all inquiries are always welcome with a phone or face-to-face appointment for reviewing anything that you wish to review. I generally will not provide information in response to email inquiries on grade details. I will respond to schedule a phone or face-to-face appointment.

Course Letter Grade Description:

- A Highest grade (90% and above)
- B+ Work of distinction (84.5% to 89.4%)
- B Work of distinction (79.5% to 84.4%)
- C+ Average work (74.5% to 79.4%)
- C Average work (69.5% to 74.4%)
- D Passing, but unsatisfactory (60% to 69.4%)
- F Failure without credit (Below 60%)

COURSE OUTLINE

- 1. Introduction to Multinational Finance**
Chapters 1, 2, and 3
- 2. The Balance of Trade, Balance of Payments and International Macroeconomics**
Chapter 5
- 3. Foreign Currency Markets: Spot and Forward Markets**
Chapter 6
- 4. Exchange Rates, Monetary Theory and Policy: How Changes in the Money Supply Affect Exchange Rates and Forecasting Exchange Rates in the Short Run**
**Reading on Quantity Theory of Money,
Dornbusch (1976)**
- 5. Inflation, Interest Rates, and Exchange Rates (Purchasing Power Parity, Interest Rate Parity, and Exchange Rate Forecasting in the Long-Run)**
Chapter 4
- 6. Hedging and Speculating Foreign Exchange Rate Risk: Currency Futures and Options**
Chapter 7