BUSINESS FINANCE 4252 (34214)  
International Finance  
Fall 2015 (second half)  
The Ohio State University  

Instructor: Dr. LEE, Dong Wook  
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Class time: TR 11:10-12:30  
Classroom: Converse Hall 139  
Office Hours: TR 9:45-11:00 or by appointment  

Overview

This course introduces the topics unique to international finance, namely, foreign exchange (FX) markets and FX hedging/investing. In addition, the course extends the principles of investment and of corporate finance to the international environment. The ultimate goal is to provide a framework for making financial decisions in an international context.

Is this course right for you?

According to the University’s Course Offering Bulletin:

- This course builds on the materials and concepts covered in Bus-Fin 4212 (721), 4222 (722), 4260 (726), 4230 (723), 4201, and 4250.

- The course is not open to students with credit for 725.

If students are shaky on basic finance knowledge (e.g., discounted cash flows, net present value, and risk-return relationship) and basics of statistics (e.g., mean, variance, correlations, random variables, and regression analysis), dust off the old notebooks now and get yourself up to speed with this material. Students should also be comfortable with Excel.

Course resources


  Also, there is an “eText” version of the book for 180-day rent.  
  ([http://www.coursesmart.com/0132162784](http://www.coursesmart.com/0132162784))
• **Lecture notes:** Available at Carmen ([http://carmen.osu.edu](http://carmen.osu.edu))

• For other materials, see the course schedule below

**Grades**

- **Midterm and final exam:** 40 (midterm) and 30 (final) or 55 (midterm) and 15 (final) or 0 (midterm) and 70 (final); whichever is better

- **Assignment sets (3)** 30 (10 x 3)

- **Attendance** possible penalties

Students do not need a calculator to take exams, although they are allowed to use it. The final exam is cumulative and 100% multiple choices. There is no make-up for the final exam.

There are 5 problem sets, any three of which can be submitted to earn 10 points each. Even if all 5 sets are submitted, the points earned will be capped at 30 (10 x 3). Successful solutions to or at least some serious work on the problems are required in order to earn the earlier-specified points. The submitted problem sets will not be graded/returned; instead, the first three will be discussed in class. (The other two may or may not be discussed in class depending on how the class progresses.) See the course schedule below for details (e.g., due dates). The problem sets need to be **handwritten** and submitted to the instructor **before the class starts** on the corresponding due dates. If a student cannot come to class on the due date, the student is welcome to submit the assignments on any of the preceding class dates. **Late turn-ins are not accepted.**

Based on the scores of the items above, a letter grade will be determined in accordance with the OSU standard grading scheme:

- 93 - 100 (A)
- 90 - 92.9 (A-)
- 87 - 89.9 (B+)
- 83 - 86.9 (B)
- 80 - 82.9 (B-)
- 77 - 79.9 (C+)
- 73 - 76.9 (C)
- 70 - 72.9 (C-)
- 67 - 69.9 (D+)
- 60 - 66.9 (D)
- Below 60 (E).
**Attendance & end-of-session memo**

It is very important to attend the 1st week classes to secure the seat in class. This is particularly so for those students who are in the waitlist. The class roster will be circulated for student signatures (as evidence of attendance) during the 1st week classes. Some additional actions might be taken to ensure the integrity of the attendance record.

Attendance will be taken every class. If a student misses classes 5 times up to 8 times, the course letter grade, which is initially determined by the grading scheme above, will be downgraded by one step. For example, if a student earns 90% of the total score but misses classes 5 times, then the letter grade is not an A- but a B+. If a student misses classes 9 times or more, the downgrade is by two steps. For example, if a student earns 90% of the total score but misses classes 9 times, then the letter grade is not an A- but a B. Of course, some documents may be acceptable as a proof of an understandable situation (e.g., doctor's note). It will be known to the class which type of document has been submitted and accepted (without any indication of the student’s ID, of course).

**Accommodation**

Students who request help will be given reasonable accommodation through the advice and assistance of the University Office of Disability Services.

**Appeals**

Grading errors should be corrected. Appeals must be in writing, within 1 week after the midterm/final exam score is posted/announced via Carmen —not the date you first look at it. The appeal should include a description of the question(s) that need to be reexamined as well as an explanation of why the original grade was incorrect. In general, the entire document will be checked for grading errors, and correcting these could either raise or lower the overall score.

**Academic integrity**

You have affirmed to adhere to the following honor statement:

*As a member of the Fisher College of Business community, I am personally committed to the highest standards of ethical behavior. Honesty and integrity are the foundation from which I will measure my actions. I will hold myself accountable to adhere to these standards. As a leader of the community and business environment, I will pledge to live by these principles and celebrate those who share these ideals.*

In addition, the University’s Code of Academic Integrity is designed to ensure that the principles of academic honesty and integrity are upheld. All students are expected to adhere to this Code. Please visit the following website for more information on the University’s Code of Academic Integrity and possible sanctions:
http://oaa.osu.edu/procedures.

In accordance with University Faculty Rule 333-5-487, all instances of academic misconduct will be reported to the Department and the Committee on Academic Misconduct which recommends appropriate sanctions to the Office of Academic Affairs. Academic misconduct includes, but is not limited to, giving or receiving information during an exam and submitting plagiarized work for academic requirements.

**Course schedule (subject to changes)**

10/20 (T):
- Syllabus
- Introduction to international finance

10/22 (R):
- Foreign exchange (FX) markets - structure (ch 2, sec 1)
- FX markets – quotes (ch 2, sec 2 & 3)
- FX markets – settlement, etc. (ch 2, sec 4 & 5)

**Assignment set I – chapter 2 end-of-chapter “Problems” 1 ~ 9**
**due 10/29 (R) before class starts**

10/27 (T):
- FX forward – concept (ch 3, sec 1 & 3)
- FX forward – market structure (ch 3, sec 4)

10/29 (R):
- FX forward – FX swap (ch 3, sec 4 & 5)
- Parity condition with forward – CIP (ch 6, sec 1 & 2)

**Assignment set II – chapter 3 end-of-chapter “Problems” 1 ~ 8**
**due 11/5 (R) before class starts**

11/3 (T):
- Parity condition with forward – CIP (ch 6, sec 1 & 2)
- Breakdown of CIP – recent experiences in 2008 and 2010 (ch 6, sec 3)

11/5 (R):
- Breakdown of CIP – recent experiences in 2008 and 2010 (ch 6, sec 3)
- Review of Assignment sets
Assignment set III – chapter 6 end-of-chapter “Problems” 2 ~ 7 & 10 ~ 13
due 11/10 (T) before class starts

11/10 (T):
Review of Assignment sets
(Currency investing background and overview, if time permits - ch 10, sec 2)

11/12 (R):
Mid-term exam (in class)

After midterm exam, please read:
CFA Institute (Detailed information about required reading given in class and via Carmen)

11/17 (T)
Review of Midterm exam
(Exams will be returned in class.)
Currency investing – background and overview (CFA document; ch 10, sec 2)

11/19 (R):
Currency investing (cont.)
Random walk (ch 10, sec 3)
Forward price (ch 10, example 2 & sec 2)
UIP (ch 7, sec 2 & 6)
Carry trade (ch 7, sec 2 & 6)
Momentum trade (ch 10, sec 4)
Value trade (ch 8 & ch 10, sec 3)

Supplementary materials:
• Meese and Rogoff (1983)
• Rogoff (2009)
• Menkhoff and Taylor (2007)
• Hsu and Taylor (2014)
• Cochrane (2011)
• DB currency index
• etc. (detailed information given in class)

11/24 (T):
Currency investing (cont.)
Random walk (ch 10, sec 3)
Forward price (ch 10, example 2 & sec 2)
UIP (ch 7, sec 2 & 6)
Carry trade (ch 7, sec 2 & 6)  
Momentum trade (ch 10, sec 4)  
Value trade (ch 8 & ch 10, sec 3)  
International portfolio management – review & Excel exercise (ch 13) 

Supplementary materials:  
- Meese and Rogoff (1983)  
- Rogoff (2009)  
- Menkhoff and Taylor (2007)  
- Hsu and Taylor (2014)  
- Cochrane (2011)  
- DB currency index  
- etc. (detailed information given in class) 

Assignment set IV – chapter 8 end-of-chapter “Problems” 1 ~ 9  
due 12/1 (T) before class starts 

Assignment set V – chapter 10 end-of-chapter “Problems” 1 ~ 4  
due 12/3 (R) before class starts 

12/1 (T):  
International portfolio management (ch 13) 

12/3 (R):  
International portfolio management (ch 13) and/or  
Review of Assignment sets 

12/8 (T):  
International portfolio management (ch 13) and/or  
Review of Assignment sets and/or  
Cost of capital in international contexts (ch 14) 

12/11-17:  
Final exam  
(as is scheduled by the university; likely to be held in class on 12/15, Tuesday)  
(see a separate announcement for the final exam schedule)