Class Time and Location

Monday, Wednesday, and Friday,
LEC 33418: 8:00am-8:55am in Schoenbaum Hall 209
LEC 32833: 9:10am-10:05am in Schoenbaum Hall 215
LEC 33419: 10:20am-11:15am in Schoenbaum Hall 215

Professor

Steffen Hitzemann
Office: 842 Fisher Hall
E-mail: hitzemann.6@osu.edu
Office Hours: Tuesday and Thursday from 3:00pm to 4:30pm and by appointment

Outline

This course provides students with a framework for making corporate financial decisions in an international environment. The course discusses a spectrum of topics in the area of international financial management, with a special focus on trading, risk management, financing, and investment strategies in an international context. We will cover a broad range of topics, including some of the latest developments in global financial markets.

Target Audience

The course is targeted primarily to upper-class undergraduates in the finance specialization within the Bachelor of Business Administration degree. This course may also be helpful for others in the College of Business not specializing in finance.

It is assumed that students are familiar with 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). Students should also be comfortable with Excel.

Pedagogy

This course uses a combination of assignments, classroom lectures, discussions, and exams to convey the material. Each student is expected to contribute regularly to classroom discussion. There will be one midterm and one final exam.
Course Evaluation

The final course grade will be allocated according to the following formula:

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Class Participation</td>
<td>10%</td>
</tr>
<tr>
<td>Problem Sets (2)</td>
<td>20%</td>
</tr>
<tr>
<td>Case Write-up/Presentation</td>
<td>20%</td>
</tr>
<tr>
<td>Midterm</td>
<td>25%</td>
</tr>
<tr>
<td>Final Exam</td>
<td>25%</td>
</tr>
</tbody>
</table>

Class participation: A substantial portion of your grade (10%) will be based on class participation. Class participation will be graded based on your general participation in class in the form of questions and comments. Each student will be given ample opportunity to contribute to the classroom discussion.

Assignments: Students are expected to work in teams on the problem sets and the case – each team should only turn in one copy of an assignment. Please form groups of 4 within your section in the first two weeks of classes and send me an email to register your team. Students who have not found a group within the first two weeks will automatically be assigned to a team.

All assignments must be submitted on time except in extraordinary circumstances. All late submissions are at the full discretion of the instructor and may be subject to a penalty. For successful completion of the case assignment, students are required to attend the presentation session (date will be announced on Carmen) and to present their work in case their team is selected.

Midterm and final exam: The midterm and the final exam will be closed book and closed notes. It is allowed to use a 8 ½ by 11 formula sheet (one-sided, formulas only), which must be handed in with the exam. You will be allowed to use a non-programmable calculator (not a computer, smart phone, etc.).

The final exam is cumulative and places more weight on the second half of the course, which builds on the contents of the first half. If an assignment or midterm exam receives a lower grade than the student’s performance on the final exam, it will be replaced with the score from the final exam.

Course Material

Other Policies

Accommodation
Students who request help will be given reasonable accommodation through the advice and assistance of the University Office of Disability Services (292-3307, http://www.ods.ohio-state.edu/).

Academic Misconduct
All students are expected to abide by the Fisher College of Business Honor Code. Students are also expected to abide by the principles and standards set forth in The Ohio State University code of student conduct (http://studentaffairs.osu.edu/csc/).

Appeals
Grading errors should be corrected. Appeals must be in writing, within 1 week after the graded work is returned. 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.

Attendance
Absence from the midterm or final exam will not be excused, except for the most serious circumstances. Such circumstances must be validated in writing by an appropriately accredited professional (e.g., medical doctor).

Except for the case presentation session (see “Course Evaluation” above), class absence does not need to be excused, but participation is a portion of your grade. Please try to be in class at every opportunity.

Seating Arrangement
To help me keep track of class participation each day and to make it easier for you to interact with each other during discussions, I ask that you sit in the same seat each day and bring your name card.

Expectations
The University and College expectation is that students spend two hours outside of class for every hour spent in class. Since this course meets 3 hours per week, you should expect to spend 6 hours per week outside of class on course-related work.
## Tentative Course Outline

### I. Introduction to International Finance

- **Introduction and course overview**  Eun/Resnick, Ch. 1  Week 1
- **The market for foreign exchange**  Ch. 5  Week 2
- **Calculating with exchange rates**  Ch. 5

### II. Parity Conditions and Trading Strategies

- **Relative purchasing power parity**  Ch. 6  Week 3
- **Uncovered interest rate parity and the carry trade**  Ch. 6  Week 4
- **FX futures and the covered interest rate parity**  Ch. 7
- **Homework 1 due**

### III. Foreign Exchange Risk Management

- **Managing transaction exposure to exchange rates**  Ch. 8  Week 5
- **Risk management with FX options**  Ch. 7  Week 6
- **Case write-up “Hedging at Porsche” due**  Week 7
- **Case presentation and discussion**
- **Managing economic exposure to exchange rates**  Ch. 9  Week 8

**Midterm Review**

**Midterm Exam in Class**  Week 9

### IV. Financing and Investing in International Markets

- **International bond markets**  Ch. 12  Week 10
- **Interest rate and currency swaps**  Ch. 14  Week 11
- **International equity markets**  Ch. 13  Week 12
- **International portfolio diversification**  Ch. 15
- **Homework 2 due**

### V. Selected Topics

- **International financial/currency crises**  Ch. 2  Week 13
- **The future of the Euro**  Ch. 2
- **History and future of international monetary systems**  Ch. 2

**Final Review**  Week 14

**Final Exam**