

**MASTER SYLLABUS**  
**School of Business Administration, Sonoma State University**  
**BUS 473 International Finance (4 units)**

**I. Catalog Description:**

The foundations of financial theory (capital budgeting, capital markets, EMH/CAPM/portfolio theory, capital structure, short term financing) are set in an international/MNC context where currency exchange rates, differences in accounting procedures, international trade, political risk, investments, and financing are examined.

**II. Prerequisites**

Courses: BUS 370.

Justification: It is assumed that the student is familiar with the fundamental concepts and theories in finance and financial accounting presented in BUS 370 and the course builds on this foundation

**III. Course Learning Objectives**

At the end of the course students should be able to:

- A. Describe the structure of spot and forward foreign currency markets and be able to compute cross rates and determine cross rate arbitrage.
- B. Describe the equilibrium relationship between forward and spot markets for foreign currency and be able to determine intermarket arbitrage.
- C. Describe how currency exchange rates impose transaction, translation, and economic exposure on MNEs and methods that may be used to manage these risks.
- D. Design and analyze forward market, option market, and swap market hedge strategies for currency risk.
- E. Describe the motivations and methods for FDI and be able to use political risk analysis in evaluating FDI opportunities.
- F. Know the role and functions of international banking and eurocurrency markets.
- G. Describe how international trade is financed with letters of credit, banker's acceptance, and forfaiting and be able to carry out forfeiting discount computations.
- H. Describe methods for measuring and managing political risk.
- I. Describe and analyze multilateral netting and currency diversification strategies.
- J. Show the diversification benefits of an international stock portfolio and describe foreign portfolio investment strategies.
- K. Describe the role of investment banking in cross-border financing and recent trends in this practice.
- L. Find and use Euromoney, Oanda, and other useful sources of information on international finance.

**IV. Course Materials**

A textbook is normally required. Interent resources are also assigned. A financial calculator is recommended.

**V. Teaching Methods**

Lectures are used to present new information. Workshop-type class meetings review and reinforce the concepts presented using numerical exercises. Internet assignments and class project presentation by students are monitored and moderated by the instructor. Students work in groups and learn from each other.

**VI. Evaluation Tools**

Group assignments such as workshop problems and projects account for 50% of the grade. Individual assignments include in-class exams and research papers and account for

50% of the overall grade. An overall score above 60% is considered sufficient and a score above 90% is considered an excellent achievement and mastery of the material.

**VII. Course Content**

1. Foreign exchange markets
2. Management of currency rate exposure
3. Political risk
4. Foreign direct investment
5. Foreign portfolio investment
6. International banking
7. International money markets
8. International capital markets
9. International derivative markets
10. Payment and settlement systems
11. Regulation and taxation issues

**VIII. Interdisciplinary Content**

1. Topics that require graded work other than exams (and percent of course hours).
  - a. International/global issues 30%
  - b. Regulatory issues 15%
  - c. Technology issues 15%
2. Topics that do not require graded work other than exams (and percent of course hours)
  - a. Political issues 10%
  - b. Social issues 10%
  - c. Demographic Diversity 0%