

## **INTERNATIONAL FINANCES I**

**COURSE:** SECOND

**SEMESTER:** FIRST

**TYPE:** BASIC FORMATION

**CREDITS:** 6 ETCS

**LANGUAGE:** ENGLISH

**PROFESSOR:** [SOL GARCIA TOBAR - BERATTI](#)

### **OBJECTIVES:**

The main objective of the subject is to give the students the knowledge about international finances. They will know about the different international monetary markets and learn to work with stock markets and international merchandises. As well as realizing cash and forward operations, recognizing the risk in an international scenario, knowing the various payment methods in international trade: documented credit and letter of credit.

### **COMPETENCES:**

#### **GENERAL**

G1 - Observing with a global vision, planning, organizing and managing activities in the business and companies' world.

G5 - Developing a high communicative capacity in English, orally and written.

G6 - Seeking and exploiting new informational resources and applying quantitative criteria and qualitative aspects in the decision-making process.

#### **BASIC**

CB1 - Having and understanding knowledge in an area of study based on secondary general education, and usually finding them at a level based on advanced text books

but also including some aspects involving knowledge coming from their study field's vanguard.

CB4 - Capacity of transmitting information, ideas, problems and solutions to a specialized or not specialized public.

CB5 - Developing of learning abilities needed to undertake future studies with a high level of autonomy.

### **TRASVERSAL**

T7 - Getting to be the principal actor of the formative process itself in views of personal and professional improvement, as well as acquisition of integral formation allowing them to learn and coexist in a context of language diversity, with social, cultural and economic different realities.

### **SPECIFIC**

E1 - Analyzing a business organization of international dimension based on economic principles that allow the identification of the most determinant factors in the results.

E2 - Knowing the terminology, concepts, techniques and practices of financial accounting, cost accounting and financial analysis and its application to international transactions in order to value and discuss the economic and financial position of an organization.

E10 - Managing any activity and taking decisions in different functional areas of an international organization.

### **LEARNING OUTCOMES:**

R1 - Applies the accounting rules, principles and procedures for recording the financial operations of a business.

R2 - Prepares reports for third parties on the financial movement of the company.

R4 - Analyzes the internal economic circulation of the company or internal movement of values, by analyzing the functions, sections and / or activities that make up its value chain.

R8 - The students will be able to establish the effects of different financial structures over profitability and risk's levels of a company.

R9 - The students will be able to determine the operational necessities of funds.

R10 - The students will acquire the capacity of transmitting accounting and financial information, ideas, problems and solutions to a specialized or not specialized public.

R11 - The students will be able to identify their own formative necessities in the accounting and financial fields and organize their own learning with a high level of autonomy in every context, structured or not.

R12 - The students will have knowledge and capacity to manage financial products in the international monetary market.

## **CONTENTS:**

### **Part One: Financial Statements Analysis**

Accounting Principles (UFS Chapter 1 / FS SS Chapter 1,2)

Consolidated Financial Statements: Balance Sheet, Income Statement & Cash Flow Statement (UFS Chapter 2,3,4 / CF Chapter 2, 3 / FS SS Chapter 2,3,4,5)

Financial Statements: Vertical & Horizontal Analysis (CF Chapter 3)

Financial Ratios (CF Chapter 3, UFS Chapter 6 / FS SS Chapter 13)

Analysis of Financial Statements and a Company's Financial Situation

### **Part Two: Multinational Financial Management Overview** (IFM Book Chapter 1)

Managing the MNC

Why Firms Pursue International Business

How Firms Engage in International Business

Valuation Model for an MNC

**Part Three: Understanding the International Environment - IFM Book**

International Flow of Funds (Chapter 2)  
International Financial Markets (Chapter 3)  
Exchange Rate Determination (Chapter 4)  
Currency Derivatives (Chapter 5)  
Government Influence on Exchange Rates (Chapter 6)  
Forecasting Exchange Rates (Chapter 9)  
Exposure to Exchange Rate Fluctuations (Chapter 10)  
Foreign Direct Investment (FDI) (Chapter 13)  
Country Risk Analysis (Chapter 16)

**Part Four: Introduction to Corporate Finance – CF Book**

Corporate Finance and the role of the Financial Manager (Chapter 1)  
Goal of the Financial Manager (Chapter 1)  
Financial Management Decisions: Capital Budgeting, Capital Structure & Working Capital (Chapter 1)

**Part Five: Valuation – CF Book** Introduction to valuation (Chapter 5)  
The Time Value of Money (Chapter 5)  
Present Value and Future Value (Chapter 5)  
Cash flows and discounted cash flows (Chapter 6)

**Part Six: Capital Budgeting Decisions – CF Book**

Net Present Value (NPV) and other investment criteria: Payback Period, Discounted Payback Period, NPV, IRR, Profitability Index (Chapter 9)  
Project analysis and evaluation (Scenario & Sensitivity analysis) (Chapter 11)

**Part Seven: Capital Structure & Cost of Capital**

Interest Rates for Capital Budgeting Decisions – Required Return & Cost of Capital (CF – Chapter 14)  
Cost of Capital for MNCs (IFM – Chapter 17)  
The MNCs Capital Structure Decisions (IFM – Chapter 17)  
Subsidiary and Parent Financing Decisions (IFM – Chapter 17)  
Sources of Long-Term Financing: Debt & Equity (IFM – Chapter 18)

Sources of Short-Term Financing: Notes, Commercial Papers & Bank Loans (IFM – Chapter 20)

Systematic and Unsystematic Risk (CF – Chapter 13)

Beta coefficient (CF – Chapter 13)

Portfolio Return & Portfolio Beta (CF – Chapter 13)

### **Part Eight: International Cash Management (Working Capital)**

Working Capital Concept

Multinational Management of Working Capital (IFM – Chapter 21)

Centralized Cash Management (IFM – Chapter 21)

### **EVALUATION SYSTEM:**

<b>Grading system</b>	<b>Weighting</b>
<b>Average grade of homework Activities + oral skills (Mandatory)</b>	<b>25%</b>
<b>Average grade of homework Exercises + oral skills (Mandatory)</b>	<b>25%</b>
<b>10 Uploaded Class Exercises (Optional)</b>	<b>10%</b>
<b>Exam (Mandatory)</b>	<b>40%</b>

**Homework-activities assignments:** consists of researching and thinking activities of what was seen in class. Their average grade contributes 25% to the final grade. Students will receive detailed guidelines for each activity in class and through Moodle, at least, one week prior to presentation date. **Due dates:** see the planning of the subject.

**Homework and Class exercises assignments:** consists of practical exercises of what was seen in class. Their average grade contributes 35% to the final grade. Students will receive detailed guidelines for each homework exercise in class and through Moodle, at least, one week prior to presentation date. **Due dates:** see the planning of the subject.

**Exam:** there will be one (1) exam that with a practical approach on what was seen in class. It contributes 40% to the final grade. Dates: see the planning of the subject.

The exam is written and individual weighting 40% of the final grade; the remaining 60% of the final grade will be obtained, as mentioned before, by homework activities and homework/Class exercises with their corresponding oral presentations.

**The only item that is possible to be recovered in the week of recovery is the exam.**

**It is necessary for students to get, at least, + 40 pts out of 100 on the exam in order to do the average with the rest of the grades (activity grades).**

**It is necessary for students to get, at least, + 50 pts out of 100 on the activities average, in order to do the average with the exam.**

**To pass the subject, the average of activities and the exam has to be equal/over 50/100. Exam and activities average will become the final grade.**

If a student gets a grade between 40 and 50 out of 100 in the exam, it is not necessary for him/her to take the complementary exam, **as long as** the activities average represent sufficient mark so that the final average of the subject is 50 out of 100 or higher. The date of the make-up exam is detailed at the planning of the subject.

**Only uploaded activities & exercises in Moodle at the specific deadline will be graded. If the activity/exercise is not at the Moodle platform by the due date, the professor will grade the activity directly with a zero.**

If an activity involves an oral presentation, group students will be graded jointly for the written presentation but may receive a different grade in their oral presentation.

Non-attendance (and not justified) in those classes where an activity must be delivered, will be considered as a "not delivered" activity, and will suppose a ZERO for that activity. Those students who know in advanced that they won't be able to assist to the oral presentation date and the absence is justified, must make video with his/her part of the presentation in order to project the video while the rest of the group is making their oral presentation. Those student's that are absence on the delivery date due to unexpected reasons (illness) and can justified their absence on the activity day will have, at most, 3 business days after the due date in order to send a video with the presentation of the activity (their part + the rest of the group parts). If this is not done within those days it will be considered as not presented, hence a ZERO grade.

The teacher will evaluate the attendance, as well as the active participation, both in the activities elaborations, as well as in the open debates in class. The critical and analytical student vision and thinking will be seen with special importance, as well as the elaboration of constructive feedback on the proposed activities by the classmates and the oral presentation of the activity in a group. The teacher will consider the progression and continuous evaluation of the student when grading the activities.

### **METHODOLOGY:**

The subject is classroom-based and combines theoretical knowledge with its practical implementation. Through classroom sessions, the teacher will expose contents of the program using different learning methodologies. Besides making group activities in class to apply what was learned, students must do individual activities during their own personal hours.

Finally, we recommend to the students that they use some hours of personal work to this subject every week in order to consolidate the acquired knowledge of each topic. This personal work will consist of making a review of theoretical aspects given in class, complement them with the basic bibliography and have some exercises done.

Any student who does not sit an exam and he does not justify his absence on grounds of force majeure, either to Coordination or Academic Tutoring, will lose this opportunity. He will be able to do it in the complementary period, but only in case he meets the requirements for it. If the student has provided a certificate of absence due to a case of force majeure, he will sit the exam on the complementary date and he will still keep another examination sitting. In case, he would not pass the exam on the complementary date, he will have another opportunity before the last day to record grades.

Any student who does not make an oral presentation and he does not justify to the teacher that it has been a case of force majeure, will lose the chance to do it another day or by video.

Likewise, any student who does not deliver an activity on deadline and he does not justify to the teacher that it has been due to force majeure, he will miss the opportunity.

The student who has not attended a minimum 80% of classes within a week before the final exams (having submitted the supporting documents to his/her tutor), will be excluded from the ordinary examination. In this case, the student will have to attend the complementary exam, provided that he or she meets the requirements laid out in the study program.

### Oral presentations

Oral presentations will be done at the specific day detailed by the professor in the schedule. Oral presentations for each activity/exercise must be done on the designated dates. If the student is missing that day, this means a ZERO grade for that student. If the absence is justified, the student will make his presentation according to the parameters mentioned before.

Any presentation format can be used (PowerPoint, Prezi, etc.) and creativity will be very welcomed. The presentation material has to be uploaded at Moodle before the beginning of the class where oral presentations will take place or due date specified in the guidelines of the activity/exercise. **If the presentation material is not uploaded to the platform on time, the professor will grade the activity directly with a ZERO in the specific case of the student that didn't upload the content.**

**Hand-in conditions:** Though it will be specified in each activity/exercise guidelines, in a general way, each **homework-activity** must be delivered in a PDF format. It should also include a Powerpoint/Prezi presentation when it involves an oral presentation. Both have to be uploaded to Moodle. **Homework-exercises**, which are difficult to deliver in a written format, can be delivered by uploading a picture or scan of the traditional handwriting resolution of the exercises through Moodle. If the image has bad definition, the handwriting is not clearly understood or the exercises are delivered with scratches the homework won't be corrected.

Activity	Percentage weights	Competences and learning outcomes	Conditions	Dedication
Homework Activity #1: <b>Financial Statements Analysis (Reporting a Company's Financial Situation)</b>	25%	G1-G5-G6-CB1-CB4-CB5-T7-E1-E2-E10-R1-R2-R4-R8-R9-R10-	<b>Group activity.</b> Can't be recovered. It must be delivered on the designated	Reading & homework : 15 hours



		<b>R11</b>	date.	
Homework Exercise #1: <b>Capital Budgeting Decisions</b>	25%	G6-CB1-CB5-T7- E10-R8-R9R10- <b>R11 -R12</b>	<b>Group activity.</b> Can't be recovered. It must be delivered on the designated date.	Reading & homework : 5 hours
10 Uploaded Class Exercises in Moodle	10%	G1-G5-G6-CB1- CB4-CB5-T7-E1- E2-E10-R1-R2- <b>R4-R8-R9-R10- R11 - R12</b>	<b>Individual.</b> For class Exercises Students will have to read the assigned Chapters at home.	Reading: 30 hours
Exam	40%	G1-G5-G6-CB1- CB4-CB5-T7-E1- E2-E10-R1-R2- <b>R4-R8-R9-R10- R11 - R12</b>	<b>Individual.</b> Can only be recovered at the complementary period if the student has delivered the homework activities and exercises.	Reading: 60 hours

**Total class hours: 52. Total dedication outside the classroom: 110 hours.**

**Total time of dedication to the subject: 162 hours.**

#### **BIBLIOGRAPHY:**

##### **Compulsory Reading List**

- ROSS, S.; WESTERFIELD, R. and JORDAN, B. (2010). *Fundamentals of Corporate Finance* (9<sup>th</sup> Edition), McGraw Hill Irwin. **(Symbol CF)**
- MADURA J. (2008). *International Financial Management* (9<sup>th</sup> Edition), Thomson South-Western. **(Symbol IFM)**
- FRASER, Lyn M. and ORMISTON, A. (2010). *Understanding Financial Statements* (9<sup>th</sup> Edition), Pearson Education. **(Symbol UFS)**
- ITTELSON, Thomas R. *Financial Statements, revised and expanded edition: A step-by-step guide to understanding and creating financial reports* (Available Upon Request), Career Press, 2009. **(Symbol FS SS)**

##### **Optional Reading List**

- BREALEY, R.; MYERS, S.; ALLEN, F. (2011). *Principles of Corporate Finance* (10<sup>th</sup> Edition), McGraw Hill Irwin.
- Comisión Nacional del Mercado de Valores de España. *Future and Options*. [www.cnmv.es](http://www.cnmv.es). [Publicaciones](#) > Guías del Inversor. English edition.

##### **Additional sources of information**

- Investopedia.com
- Movies related to finance:
  - 1. La gran apuesta: The Big Short (2015)
  - 2. El lobo de Wall Street (2014)

- 3. El capital Humano (2014)
- 4. El fraude (Arbitrage) (2012)
- 5. Malas noticias – Too Big to Fail (2011)
- 6. Margin Call (2011)
- 7. Inside Job (2010) [Documental]
- 8. Enron, los tipos que estafaron América (2005) [Documental]
- 9. El gran farol (1999).
- 10. Wall Street (1987)
- 12. Debtocracy (2011)
- 13. Money for Nothing (2013)