
SYLLABUS

Date/ Revision March 6, 2017
Faculty Business and Social Sciences
Approval Dr. Samuel Prasetya

SUBJECT : INTERNATIONAL FINANCE

1. Identification of Subject:

Name of Subject : International Finance
Code of Subject : INFI-4000
SKS / ECTS : 3 SKS
Semester : 7
Study Program : B-MGT/B-IBA
Lecturer : Dr. Samuel Prasetya & Dr. Satiri

2. Competency

After having the course, students are expected to:

- a) understand the International Finance
- b) understand the Currency Markets
- c) understand the Exchange Risk, Exposure, and Risk Management
- d) understand the Long-Term International Funding and Direct Investment

3. Description of Subject:

International Finance presents the corporate uses of international financial markets. Combining practical knowledge, up-to-date theories, and real-world applications, explores issues of valuation, funding, and risk management. International Finance shows how theoretical applications can be brought into managerial practice. Includes an extensive introduction followed by three main sections: currency markets; exchange risk, exposure, and risk management; and long-term international funding and direct investment.

4. Learning Approach

Approach : Combination of expository - inquiry and collaborative
Method : Discussions, questions/answers, sample problems/cases
Student Task : Quizzes and group projects
Media : LCD projector

5. Evaluation

- a) Non-attendance maximum : 25%
- b) Homework/Projects : 20 points
- c) Presentation, Simulation : 10 points
- d) Quiz : 10 points
- e) Final Examination : 60 points

Total : 100 points

6. Contents/Topics of Lecturing:

Week	Content / Topics of Lecturing	Text Book Chapter	Remark
1	<p>Why Does the Existence of Borders Matter for Finance?</p> <ul style="list-style-type: none"> • Key Issues in International Business Finance • What Is on the International CFO's Desk? • Overview of this Book 	Chapter 1	
2	<p>International Finance: Institutional Background & Spot Markets for Foreign Currency</p> <ul style="list-style-type: none"> • Money and Banking: A Brief Review • The International Payment Mechanism • International ("Euro") Money and Bond Markets • What Is the Balance of Payments? • Exchange-Rate Regimes • Exchange Rates • Major Markets for Foreign Exchange • The Law of One Price for Spot Exchange Quotes • Translating FC Figures: Nominal Rates, PPP Rates, and Deviations from PPP 	Chapter 2 & 3	
3	<p>Understanding Forward Exchange Rates for Currency & Using Forwards for International Financial Management</p> <ul style="list-style-type: none"> • Introduction to Forward Contracts • The Relation between Exchange and Money Markets • The Law of One Price and Covered Interest Parity • The Market Value of an Outstanding Forward Contract • Practical Aspects of Forwards in Real-World Markets • Using Forward Contracts (1): Arbitrage • Using Forward Contracts (2): Hedging Contractual Exposure • Using Forward Contracts (3): Speculation • Using Forward Contracts (4): Minimizing the Impact of Market Part Imperfections • Using the Forward Rate in Commercial, Financial, and Accounting Decisions 	Chapter 4 & 5	
4	<p>The Market for Currency Futures & Markets for Currency Swaps</p> <ul style="list-style-type: none"> • Handling Default Risk in Forward Markets: Old and New Tricks • How Futures Contracts Differ from Forward 	Chapter 6 & 7	Quiz 1 Draft 1

Week	Content / Topics of Lecturing	Text Book Chapter	Remark
	<p>Markets</p> <ul style="list-style-type: none"> • Effect of Marking to Market on Futures Prices • Hedging with Futures Contracts • How the Modern Swap Came About • The Fixed-for-Fixed Currency Swaps • Interest-Rate Swaps • Cross-Currency Swaps 		
5	<p>Currency Options (1): Concepts and Uses</p> <ul style="list-style-type: none"> • An Introduction to Currency Options • Institutional Aspects of Options Markets • An Aside: Futures-Style Options on Futures • Using Options (1): Arbitrage • Using Options (2): Hedging • Using Options (3): Speculation 	Chapter 8	
6	<p>Currency Options (2): Hedging and Valuation</p> <ul style="list-style-type: none"> • The Logic of Binomial Option Pricing: One-Period Problems • Notation and Assumptions for the Multiperiod Binomial Model • Stepwise Multiperiod Binomial Option Pricing • Toward Black-Merton-Scholes (European Options) 	Chapter 9	
7	Review	Chapter 1-9	Quiz 2 Draft 2
8	Semester Break: Only Make-Up Classes		
9	<p>Do We Know What Makes Forex Markets Tick?</p> <ul style="list-style-type: none"> • The Behavior of Spot Exchange Rates • The PPP Theory and the Behavior of the Real Exchange Rate • Exchange Rates and Economic Policy Fundamentals 	Chapter 10	
10	<p>Do Forex Markets Themselves See What Is Coming?</p> <ul style="list-style-type: none"> • The Forward Rate as a Black-Box Predictor • Forecasts by Specialists 	Chapter 11	
11	<p>(When) Should a Firm Hedge Its Exchange Risk?</p> <ul style="list-style-type: none"> • The Effect of Corporate Hedging May Not Just Be "Additive" • FAQs about Hedging 	Chapter 12	
12	<p>Measuring Exposure to Exchange Rates</p> <ul style="list-style-type: none"> • The Concepts of Risk and Exposure: A Brief Survey • Contractual-Exposure Hedging and Its Limits • Measuring and Hedging of Operating Exposure • Accounting Exposure 	Chapter 13	Quiz 3 Draft 3
13	Value-at-Risk: Quantifying Overall Net Market Risks	Chapter 14	

Week	Content / Topics of Lecturing	Text Book Chapter	Remark
	<ul style="list-style-type: none"> Risk Budgeting: A Factor-Based, Linear Approach The Linear/Normal VaR Model: Potential Flaws and Corrections Historical Backtesting, Bootstrapping, Monte Carlo, and Stress Testing 		
14	Managing Credit Risk in International Trade <ul style="list-style-type: none"> Payment Modes without Bank Participation Documentary Payment Modes with Bank Participation Other Standard Ways of Coping with Default Risk 	Chapter 15	
15	International Fixed-Income Markets <ul style="list-style-type: none"> "Euro" Deposits and Loans International Bond and Commercial-Paper Markets How to Weigh Your Borrowing Alternatives 	Chapter 16	Quiz 4 Draft 4
16	Semester Break: Only Make-Up Classes		
17	Final Examination	All Chapters (1-16)	

7. Book Reference:

a) Main Textbook

Piet Sercu, International Finance: Theory into Practice, 5th Edition, Princeton University Press

b) Supplement Articles

Various online journal articles