

Subject Code	AF5362
Subject Title	International Financial Management
Credit Value	3
Level	5
Normal Duration	One Semester
Pre-requisite / Co-requisite/ Exclusion	Pre-requisite: Principles of Corporate Finance (AF5312) <i>AND</i> Investments (AF5344) OR Financial Management (AF5318) <i>AND</i> Investments (AF5344)
Role and Purposes	This subject contributes to the achievement of the Programme Outcome by developing students' ability to solve international financial problems as they present themselves in real-life situations, and to formulate international financial strategies and envision their outcomes.
Subject Learning Outcomes	Upon completion of this subject, students will be able to: <ul style="list-style-type: none"> a. Understand the structure and characteristics of various international financial markets and instruments; b. Understand how different exchange rate systems (especially Hong Kong's currency board system) function and how they affect an economy's business environment; c. Identify the sources of risks in international transactions and understand how these risks can be managed; d. Identify and analyze the international dimensions of the debt and equity markets, and understand their implications for a company's financing decisions and investment policies.
Subject Synopsis/ Indicative Syllabus	<p>The Foreign Exchange Market Exchange rate defined. Spot and forward markets. Interest rate parity relationships.</p> <p>Exchange Rate Systems Fixed vs. Floating exchange rates. How a fixed exchange rate is maintained? Pros and cons of fixed exchange rates. How does Hong Kong's currency board work?</p> <p>Exchange Rate Determination Using the interest rate parity relationship. Purchasing Power Parity considerations. Current account considerations. Fundamental approach. Technical approach. Forecasting performance of professional forecasters.</p> <p>Foreign Exchange Risk Management The Instruments: Foreign exchange futures and options. Transaction exposure. Economic exposure. Long-term interest rate and currency risk management. The use of swaps.</p> <p>International Financial Markets: The Manager's Perspective International capital structure and the cost of capital. International corporate governance.</p> <p>International Financial Markets: The Investor's Perspective International portfolio investments. The benefits of international diversification. The effects of exchange rate movements. Home bias in portfolio holdings.</p>

Teaching/Learning Methodology	<p>In the first part of most classes, the instructor will provide students with a lecture on the underlying concepts and their application in practical settings. Students will be required to participate in the lectures and class discussions, to solve analytical problems and case studies, to make presentations, and to submit written reports.</p>																																																																				
Assessment Methods in Alignment with Intended Learning Outcomes	<table border="1" data-bbox="443 427 1471 1032"> <thead> <tr> <th data-bbox="443 427 770 591" rowspan="2">Specific assessment methods/tasks</th> <th data-bbox="775 427 927 591" rowspan="2">% weighting</th> <th colspan="6" data-bbox="932 427 1471 524">Intended subject learning outcomes to be assessed (Please tick as appropriate)</th> </tr> <tr> <th data-bbox="932 530 1018 591">a</th> <th data-bbox="1023 530 1109 591">b</th> <th data-bbox="1114 530 1200 591">c</th> <th data-bbox="1204 530 1291 591">d</th> <th data-bbox="1295 530 1382 591"></th> <th data-bbox="1386 530 1471 591"></th> </tr> </thead> <tbody> <tr> <td data-bbox="443 598 770 658">1. Midterm Exam</td> <td data-bbox="775 598 927 658">20%</td> <td data-bbox="932 598 1018 658">✓</td> <td data-bbox="1023 598 1109 658">✓</td> <td data-bbox="1114 598 1200 658"></td> <td data-bbox="1204 598 1291 658"></td> <td data-bbox="1295 598 1382 658"></td> <td data-bbox="1386 598 1471 658"></td> </tr> <tr> <td data-bbox="443 665 770 725">2. Group Presentation*</td> <td data-bbox="775 665 927 725">7%</td> <td data-bbox="932 665 1018 725">✓</td> <td data-bbox="1023 665 1109 725">✓</td> <td data-bbox="1114 665 1200 725">✓</td> <td data-bbox="1204 665 1291 725">✓</td> <td data-bbox="1295 665 1382 725"></td> <td data-bbox="1386 665 1471 725"></td> </tr> <tr> <td data-bbox="443 732 770 828">3. Individual Written Report*</td> <td data-bbox="775 732 927 828">13%</td> <td data-bbox="932 732 1018 828">✓</td> <td data-bbox="1023 732 1109 828">✓</td> <td data-bbox="1114 732 1200 828">✓</td> <td data-bbox="1204 732 1291 828">✓</td> <td data-bbox="1295 732 1382 828"></td> <td data-bbox="1386 732 1471 828"></td> </tr> <tr> <td data-bbox="443 835 770 896">4. Class Participation</td> <td data-bbox="775 835 927 896">5%</td> <td data-bbox="932 835 1018 896">✓</td> <td data-bbox="1023 835 1109 896">✓</td> <td data-bbox="1114 835 1200 896">✓</td> <td data-bbox="1204 835 1291 896">✓</td> <td data-bbox="1295 835 1382 896"></td> <td data-bbox="1386 835 1471 896"></td> </tr> <tr> <td data-bbox="443 902 770 963">5. Final Exam</td> <td data-bbox="775 902 927 963">55%</td> <td data-bbox="932 902 1018 963">✓</td> <td data-bbox="1023 902 1109 963">✓</td> <td data-bbox="1114 902 1200 963">✓</td> <td data-bbox="1204 902 1291 963">✓</td> <td data-bbox="1295 902 1382 963"></td> <td data-bbox="1386 902 1471 963"></td> </tr> <tr> <td data-bbox="443 969 770 1032">Total</td> <td data-bbox="775 969 927 1032">100 %</td> <td colspan="6" data-bbox="932 969 1471 1032"></td> </tr> </tbody> </table> <p data-bbox="443 1048 1209 1081">*Different presentations/reports may address different outcomes.</p> <p data-bbox="443 1133 1366 1200">Explanation of the appropriateness of the assessment methods in assessing the intended learning outcomes:</p> <p data-bbox="443 1216 1471 1384">Students will be required to solve problems that test their understanding of how exchange rates are determined, the relationship between exchange rates and interest rates, the characteristics of international financial instruments, the impact of different exchange rate systems on the business and economic environment, and of what the sources of risks are in international financial transactions.</p> <p data-bbox="443 1417 1471 1552">There will also be cases and problems that test if students can make use of financial instruments and/or operational hedges to manage risks in international financial transactions, and understand the implications of the international nature of the debt and equity markets for corporate financial decisions.</p>							Specific assessment methods/tasks	% weighting	Intended subject learning outcomes to be assessed (Please tick as appropriate)						a	b	c	d			1. Midterm Exam	20%	✓	✓					2. Group Presentation*	7%	✓	✓	✓	✓			3. Individual Written Report*	13%	✓	✓	✓	✓			4. Class Participation	5%	✓	✓	✓	✓			5. Final Exam	55%	✓	✓	✓	✓			Total	100 %						
Specific assessment methods/tasks	% weighting	Intended subject learning outcomes to be assessed (Please tick as appropriate)																																																																			
		a	b	c	d																																																																
1. Midterm Exam	20%	✓	✓																																																																		
2. Group Presentation*	7%	✓	✓	✓	✓																																																																
3. Individual Written Report*	13%	✓	✓	✓	✓																																																																
4. Class Participation	5%	✓	✓	✓	✓																																																																
5. Final Exam	55%	✓	✓	✓	✓																																																																
Total	100 %																																																																				

Student Study Effort Required	Class contact:	
	▪ Lectures / Seminars	39 Hrs.
	Other student study effort:	
	▪ Problems / Cases	24 Hrs.
	▪ Midterm & Final Examinations	35 Hrs.
	▪ Preparation for presentation and written report	25 Hrs.
	Total student study effort	123 Hrs.
Reading List and References	<p><u>Textbook</u> Eun, C.S. and B.G. Resnick, <i>International Financial Management</i>, 8th Edition, McGraw-Hill, 2018.</p> <p><u>Supplementary Readings</u> Shapiro, A.C., <i>Multinational Financial Management</i>, 10th Edition, Wiley, 2014.</p> <p>Eiteman, D.K., A.I. Stonehill, and M.H. Moffet, <i>Multinational Business Finance</i>, 15th Edition, Pearson, 2019.</p> <p>Bodie, Z., A. Kane, and A.J. Marcus, <i>Essentials of Investments</i>, 11th Edition, McGraw-Hill, 2019.</p>	