



UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN
College of Business
DEPARTMENT OF FINANCE

FINANCE 551
SYLLABUS – SPRING 2008

Professor: Murillo Campello

Class Time: Section E: Mon & Wed; 1:00-2:20pm / Section F: Mon & Wed; 2:30-3:50pm

Class Location: 166 Wohlers

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BRIEF DESCRIPTION

This course's goal is to give students the tools needed to apply finance principles to international business decisions. Broadly speaking, we will explore the main features of the international financial markets and examine various aspects of multinational corporate financial management. The list of issues we will cover in this course includes (among others): exchange rate risk management, country risk assessment, cross-border investment analysis, international taxation, mergers and acquisitions, corporate laws and governance around the world, and competitive strategy in a global marketplace. You should expect to have fun, but prepare to work hard in this course! A lot of time commitment is a necessary condition (but not sufficient) for a final passing grade.

TEXT AND MATERIALS

The textbook used in this course is *Multinational Finance* (3rd Ed.) by Kirt Butler. I strongly recommend that you acquire the book. I will assume that you have a copy of the book, but experience suggests that acquiring it is not strictly necessary to pass this course. Some extra reading materials will also be used. Most of these will be later posted on the course webpage. You will also be required to buy a few case studies (more details below). Importantly, I'll be talking in class about the news of the day related to international financial markets (e.g., fall/rise of the US dollar, the effect of financial crisis in Argentina throughout international stock exchanges, etc.) and to multinational companies' businesses (e.g., cross-border mergers and acquisitions, entry in a new country/market, WTO disputes, etc.). I recommend that you subscribe a financial newspaper such as the *Wall Street Journal* or the *Financial Times*. I'll refer to news in these and other news outlets almost every time we meet. Finally, a financial calculator might prove very useful for the quizzes and tests of this course.

GRADING

Your final grade will be based on a set of points accumulated throughout the semester. Points will first be given on a (raw) 0–100 scale, and afterwards re-scaled (curved) into an A⁺, A, A⁻, B⁺, ... scale, according to relative performance. Grades are assigned to various activities as follows:

- *Exams:* There are a total of 3 (closed-notes) exams in this course. A description follows:
 1. The first exam is a “practice test” designed to get you acquainted with the types of questions I ask in examinations. This exam will deal primarily with the basics of exchange rate determination (e.g., the International Parity Conditions) and will account for only 5% of your final grade. This exam will be administered in class early on in the semester and will give you an idea of the degree of difficulty of the course.
 2. The second exam is a more thorough examination on the materials covered up until mid-semester. It will be administered during class time and will account for 15% of your final grade. This exam will have two parts. In the first part, mostly multiple-choice questions will be asked (some of these questions may resemble those of the first exam). The second part will feature a set of longer questions (here, I’ll try to gauge the depth of your knowledge about more substantive issues in the course and/or more complex problems.)
 3. The third exam will be administered during Finals Week. This exam assumes that the student has knowledge about basic course materials, but will likely focus more on the last half of the course materials. It will account for 20% of your final grade. You should check the University listings for the exact time and place of this exam.

Notes: I’ll point to some end-of-chapter questions from our textbook to help you prepare for the exams, but you will not need to turn in the answers to those questions. If you ask me to re-grade a question, I will do so. In the interest of fairness, however, I will re-evaluate the entire exam (not just the question you’ve selected) to ensure that the overall grade properly reflects your performance. Re-grading requests must be submitted within two weeks of the grade assignment. Barring major events, there are no make-up exams. Should you have a valid reason for not taking the exam on the scheduled day, I will write a new exam for you. Valid reasons typically involve student’s illness or death in the immediate family. (Job interviews, trips, and a pet’s death are not valid reasons for missing a University exam — sorry!) Documentation supporting the reason for missing the exam must be provided.

- *Homeworks:* There will be a few homework assignments for this course (2 or 3 sets of homework questions). They will be posted on the course’s Webpage. The homeworks (combined) will account for 10% of your individual grade and must be turned in at the assigned date before the start of the class. (Note: no e-mail submissions.) There will be no exceptions to this rule since answers will be made public immediately after they papers are returned to the students. Please clearly write your name and section on all assignments you turn in.
- *Group Project:* Groups ranging from 2 to 4 students (depending on class size) are required to turn in a professionally-prepared report towards the end of the semester. Groups are also required to give a presentation of the assigned project. This will account for 30% of your final grade. The project consists of a detailed study of the economic/political/legal/financial environment of a country of your choosing. The idea is to simulate the role of an advisory service to a multinational corporation considering the possibility of investing in that country. I’ll provide more details later. Students are required to provide the names of the people in their groups as well as the country they want to study by the 4th/5th week of the semester. The grade of this project will be assigned equally to all group members. The only exception to the same-grade rule in this assignment applies to cases where a group member is referred to me by all other group members as unwilling to work and uncooperative. That student will get a lower grade. The guidelines about the final project are available in the course’s website. You should consider that document as part of the syllabus. Review it before deciding to take this course.

- *Class Activities/Case Studies:* A number of structured activities conducted in class will also be used to compute your grade. Examples are: short quizzes, case studies, etc. I often ask students to do these in pairs. These activities will collectively account for 10% of your final grade. They may happen at any time in the class; whenever the atmosphere is appropriate for us to work on them. The most important activities are the case studies. Typically, they will not be formally graded nor returned to students. Instead, they will serve as proof of active, “documented” course participation. In other words, they will have to be turned in with your name on and will have to show effort and competence, but I’ll not explicitly assign a 0–100 grade. A final word on cases: they are not simple follow-up on class notes, instead you’ll need knowledge of other areas of finance to solve them. I choose/design cases so that solving them is more of a learning experience (of new materials) than any sort of test (on old materials). You may be randomly asked to present your case solution in the case’s due date. Alternatively, I may give extra points to those who volunteer to present. Cases can be worked out in groups of 1 to 4 students.
- *Class Participation:* The remaining 10% of your grade hinges on class participation alone. Here I mean, active class participation by you via discussions, questions, and contributions of examples from current events and/or personal business experiences. I believe 10% is actually a low weight. In the real world, participation in relevant group discussions account for nearly 100% of how you are “graded” by your peers (and bosses!). Note that just showing up for classes will not entitle you to class participation points. And disruptive behavior may well lead to point losses (negative points in class participation). On the other hand, I will likely give extra points to students whose participation help other classmates and the class development. To help with the process, I’ll try my best to know the names of all of the students in the class, calling upon them directly to participate.

CLASS DYNAMICS – INDIVIDUAL PARTICIPATION

Many meetings in this course will try to emulate real-world situations in which people interact in a competitive, serious, professional environment. Oftentimes, the class will revolve around situations involving “board meetings,” “executive presentations,” “professional advising,” “market trading,” “managerial contests,” etc. If you are not interested in coursework with these sorts of class dynamics do not take this course. If you are not planning on enthusiastically participating on these activities and in regular class discussions do not take this course. If you take this class anticipating low individual participation, you should anticipate a low grade as well, due to a poor fit of interests.

CLASS DYNAMICS – GROUP INTERACTIONS

I strongly believe that emulating real-life work situations in the classroom is part of training professionals. In addition to the points discussed above, I stress the importance of working in groups. Accordingly, all of the class activities, homeworks, and the final project of this course are group assignments. Meeting and discussing the course assignments with a small set of your classmates is crucial in developing skills necessary to succeed in your professional career. Among other things, these interactions represent a chance to learn new ideas (insights from others you haven’t contemplated) and develop interpersonal skills, such as the ability to propose and defend ideas in a convincing way.

A few additional notes on group work. First, it is your job (not mine) to find people to work with in the classroom. Oftentimes (e.g., in a quiz), I’ll just ask you to work with the person sitting next to you. If that happens, I expect you to be able to work with that person, even if you never met him/her before. (Again, this is a working environment.) The task of finding group mates to work with in activities that take place of the classroom (case solutions and the final project) is also your responsibility. Sometimes people commit to work in a group, but later renege on the promise to perform. If this happens, the remaining group members should bring this to my attention, as individual underperformance has the potential to hurt

a group's overall grade. Finally, in all group tasks in this course, each and every group participant should be able to respond for the entire work done by the group. For example, in case a group is called to present a project/case solution, those in class should be able to carry on even if one or more of the group members are not present. This final remark points to the perils of partitioning group tasks in pieces and having members working on their "piece" without consulting others.

ATTENDANCE

Notice that part of your grade hinges on class participation and class activities. Because much of the learning in this course occurs in the classroom it is important that you attend classes. I note that class attendance is mandatory in the last few class meetings (when the final project is presented). I tend to memorize students' names and faces, but generally do not formally take class attendance. If you miss a class it is your responsibility to check with a classmate on what took place during that class.

FINAL GRADE REVIEW/GRIEVANCE

I teach in excess of 100 students per semester, hence it is possible that mistakes occur when computing your final grade. If after you receive your final grade you believe an error occurred, you can ask for a review of your grade. Importantly, I hereby request that we abide by the following guidelines in a grade review/grievance case. First, notice that given the text in prior items in this syllabus, we are not going to be able to discuss the grades of previous homeworks, exams (other than the final), etc.; any questions about those assignments should have been resolved shortly after their grades were given to you during the semester. Second, any post-final grade meeting can't revolve around my perception about your class participation during the semester. Whatever judgment I had made about participation, it was based on information that was relevant and current during the course of the semester. It is not acceptable to discuss ways to change this after the semester is over. If one wants to obtain high participation points, one has to participate actively in class when class is in session, as opposed to lobbying for the case of class participation after the semester is over. In that regard, statements like "I came to every class" and "I was silent but was paying attention all the time" are not very useful (these don't entitle a student to class participation points, as discussed above). Any meetings that we have over final grade review/grievance will have to be productive. Hence, they will have to focus only on either of the following: a) the final project, b) the final exam, or c) the computation of the final grade. I reserve the right to have someone else present at any such meetings (typically the TA or the Department's secretary). Finally, I expect that any request for a grade change will be done **before** I dispose of the materials (exams, assignments, etc.) of this course, which according to University rules can happen as early as 6 weeks after the semester is over.

WEBPAGE

The course Webpage will contain this syllabus and most of the materials presented in class. The Web address is: <http://www.business.uiuc.edu/campello/FIN551.html>.

ACADEMIC HONESTY

Strict adherence to the highest standards of academic honesty is essential for a trusting and productive learning environment. I expect that you will explicitly inform me (via proper references, etc.) of any ideas, calculations, etc. which appear in your work but which have been produced by someone else. I expect that you will work with others only when stated in this syllabus. Any violations of academic honesty will be dealt with severely under University of Illinois' regulations. Plagiarism, cheating, or any other form of academic dishonesty will result in a course final grade of "F." You are responsible for knowing and abiding by the "Code of Policies and Regulations Applying to All Students." The code is available at http://www.uiuc.edu/admin_manual/code/. Any violation of academic integrity as described in Rule 33 of the code will be pursued according to the University's procedures.

LECTURE SCHEDULE

(NOTE: TENTATIVE AND SUBJECT TO CHANGE; ACTUALLY, IT WILL CHANGE!)

DATE	SUBJECT	LECTURE NOTE #	BOOK CHAPTER(S) #
Jan-14	Course Introduction	1	
Jan-16	The Global Economy, International Trade, and Exchange Rate Systems	1	
Jan-23	FX and Eurocurrency Markets	2	3, 4 & 5
Jan-28	FX and Eurocurrency Markets / Mini-Case: Operational Hedging	2	3, 4 & 5
Jan-30	Int'l Parity Conditions and the FX Risk	2	3, 4 & 5
Feb-04	Int'l Parity Conditions and the FX Risk	2	3, 4 & 5
Feb-06	FX Trading Game		
Feb-11	Int'l Parity Conditions and the FX Risk	2	3, 4 & 5
Feb-13	Int'l Parity Conditions and the FX Risk / Mini-Case: Financial Hedging	2	3, 4 & 5
Feb-18	Exam #1	Class Time	
Feb-20	International Capital Budgeting (<i>class subject to cancellation, Exam #1</i>)	3	15
Feb-25	International Capital Budgeting	3	15
Feb-27	Case Discussion: TCAS, Inc.		
Mar-03	Taxes and International Business Strategies	3	17
Mar-05	Taxes and International Business Strategies	3	17
Mar-10	Wrap Up / Review		
Mar-12	Exam #2	Class Time	
Mar-17	No Classes (Spring Break)		
Mar-19	No Classes (Spring Break)		
Mar-24	Country Risk and International Business Strategies	4	14
Mar-26	Int'l Corporate Governance	4	19
Apr-31	Case Discussion: Olin Corp.		
Apr-02	Economic Rationales of Currency Risk Hedging	5	9
Apr-07	Economic Rationales of Currency Risk Hedging	5	9
Apr-09	Case Discussion: Koppers Co.		
Apr-14	Currency Futures, Options, and Swaps	6	6, 7 & 8
Apr-16	Currency Futures, Options, and Swaps	6	6, 7 & 8
Apr-21	Final Project Presentations		
Apr-23	Final Project Presentations		
Apr-28	Final Project Presentations (<i>depending on class size</i>)		
Apr-30	Wrap Up / Review		
Finals Week	Exam #3	Time and Place Determined by University	