

## Summer School Lisbon Syllabus

### Subject:

**INTERNATIONAL FINANCIAL MANAGEMENT**

### Lecturers:

#### **Mohamed Azzim**

Full Professor at Iscte Business School

Areas of Investigation: Business Education and Banking&Finance

#### **Szabolcs Sebestyén**

Assistant Professor at Iscte Business School

Former Dean of Iscte Business School

Areas of Investigation: Financial economics, financial econometrics, asset pricing, monetary policy, financial markets, credit risk, high-frequency finance, Bayesian econometrics

### Course Structure:

<b>Course Title:</b> INTERNATIONAL FINANCIAL MANAGEMENT
<b>Department:</b> Marketing, Operations and General Management
<b>Target:</b> Bachelor and Master students

<b>Pre-requisites:</b> Basic knowledge in finance
<b>Objectives:</b> The globalization of trade and finance as a consequence of the great advances in information technologies, transportation, and communications, during the last century, has introduced a dramatic new commercial reality for the world citizens. This transformation of the world market economy has important implications for business, which we will analyse in this course.  Students will be able to examine the trade theories, policies, and instruments of international commerce and finance, as well as consider trade integration. Course content also focuses on the foreign exchange markets and the balance of payments and institutions of international trade. Macro policies in open economies, such as flexible exchange rates and the nature of foreign exchange markets, risk and hedging transactions will be examined. Theories and policies of foreign direct investment and political risk are also considered.  At the end of the course the student should be able to: <ul style="list-style-type: none"><li>• To understand the nature and benefits of the internationalization of business and describe the general importance of international financial management</li><li>• The student understands the main concepts of international finance and can apply them to personal interactions, business management issues and international transactions</li><li>• The student can describe the economic incidence of changes in the international trade flows, both within and across countries and economic areas.</li><li>• The student can predict the effect of a change in international transactions on flexible exchange rates</li><li>• The student can explain exchange rates quotations, cross rates and spot and forward markets</li></ul>

- The student can use Purchasing Power Parity and Interest Rate Parity to describe appropriately, under-value and over-value exchange rates
- The student can explain how forward contracts and financial derivatives can be used to deal with foreign exchange risk
- To understand the motivations for foreign direct investment and the evolution of the multinational corporation. The student also will be able to assess the political risk and value of foreign investments in different countries

**Programme:**

1. The Globalization of the Economy. Corporate Governance
2. International Institutions and the Economy
3. International Trade and the Balance of Payments
4. Current Global Challenges: The Economic Crisis
5. The Foreign Exchange Markets
6. International Parity Conditions: Currency Valuation
7. Foreign Exchange Determination and Forecasting
8. Foreign Exchange Exposure and Risk
9. Hedging Foreign Exchange Risk: Currency Derivatives
10. International Portfolio Diversification
11. Foreign Direct Investment and Political Risk

**Assessment:**

The evaluation is based on the following components and respective weights:

- Group work – 20%
- Midterm test – 30%
- Final test – 40%
- Class participation – 10%

**Teaching Method:**

Students will be expected to attend all classes since a major portion of the learning that takes place in the course will be discussions of financial decision-making and economic behavior. Participation and engagement with the materials will enhance the learning process.

**Reading:**

The students will be provided at the beginning of the Summer School with a **Course Reading Packet** consisting of articles, various texts and case studies.

**References:**

- Eiteman, Stonehill and Moffett, Multinational Business Finance (MBF) 13th e. (2013), Pearson
- Brealey, Myers and Allen, Principles of Corporate Finance (PCF) 11th e.(2013), Mc Graw-Hill
- Shapiro, A. C, Multinational Financial Management 10th ed. (2013), John Wiley & Sons, Inc.