MN5607 – INTERNATIONAL FINANCIAL MANAGEMENT

MODULE TYPE/SEMESTER: Option (20 credits), Semester 1

MODULE CO-ORDINATOR: Dr Jimmy Chen

CONTACT DETAILS: xc38@st-andrews.ac.uk
01334 (46)2877

AIM: The module is designed to give students an appreciation of some of the key issues involved in international financial management, from the derivation of exchange rate to the management of currency risk, from the structure of international financial markets to the practical considerations of investing overseas. Students will understand how cross-border investment decisions are made, the likely costs and benefits arising from such decisions and their relevance to investors and managers alike. The module will also aim to give students an appreciation of the measurement of risk in decision-making and the tools available to manage such risk exposures.

METHOD OF TEACHING AND LEARNING:

Teaching Format
One two-hour lecture each week plus one-hour tutorial.

INDICATIVE TOPIC OUTLINE:

Teaching Schedule
Week 1: Foreign Exchange Market
Week 2: Balance of Payments and International Monetary System
Week 3: Exchange Rate Determination
Week 4: Exchange Rate Regimes and Currency Crises
Week 5: Currency Risk Management I
Week 6: No Classes (Independent Learning Week)
Week 7: Currency Risk Management II
Week 8: International Portfolio Investments and Recent Trends
Week 9: Portfolio Diversification and International Market Integration
Week 10: Foreign Direct Investment and Investment Appraisal
Week 11: No Classes (Essay Preparation)
Week 12: Revision Period
Weeks 13 & 14: Semester 1 Examination Diet

LEARNING OUTCOMES:

By the end of the module, students should:
- Understand the operation of foreign exchange markets
- Perform basic exchange rate conversion and arbitrage
- Understand the balance of payments
- Appreciate the importance of international monetary system
- Understand the factors and models of exchange rate determination
- Understand the international parity relationships
- Understand the causes of currency crises
- Compare and contrast major types of currency management tools
- Demonstrate the use of futures and options to hedge currency risk
- Have working knowledge of the means of international portfolio investments
- Understand the issues around exchange-traded funds
- Understand the rationale of international diversification and evaluate its effectiveness
- Understand the implications of international financial integration on diversification
- Understand the motives and drivers of foreign direct investments
- Understand the models of investment appraisal in an international context

**ASSESSMENTS:**

**Coursework 1 (25%):** One hour class test  
**Coursework 2 (25%):** A 2,500 words essay, essay topic to be announced  
**Examination (50%):** Two-hour examination in the semester one examination period

**READING LIST:**