

**The Peter Drucker and Masatoshi Ito
Graduate School of Management
Claremont Graduate University**

**Multinational Corporate Finance
MGT 334
Summer 2008**

James Mills

OFFICE: Burkle 226

TELEPHONE: 909.607.3151

OFFICE HOURS: Monday, Tuesday 9:30 – 11:30 pm

E-Mail: james.Mills@cgu.edu

In case I cannot be reached please contact

Kathy Holden

909-607-9061

email: kathy.holden@cgu.edu

REQUIRED TEXTS

Multinational Business Finance, David Eiteman, Arthur Stonehill & Michael Moffett, Eleventh Edition (Addison-Wesley) 2007 (here after referred to as **MFT**)

SAKAI

Lectures notes are on Sakai (as power point files)

Solutions to end of Chapter Questions are on Sakai (as word files)

Solutions to end of Chapter Problems are on Sakai (as excel files)

FOCUS OF THE COURSE:

The course, Multinational Corporate Finance, focuses on the financial activities of the multinational enterprise. The multinational enterprise is a corporation that has operating subsidiaries, branches or affiliates located in foreign countries. The success of the multinational enterprise is conditional on its ability to recognize and benefit from imperfections in national markets for products, factors of production, and financial assets. Unlike its purely domestic counterpart, the multinational enterprise must be able to navigate through a myriad of tax regimes, capital markets and government regulations. It must accomplish this while successfully engaging in cross-border transactions denominated in a multitude of currencies.

The course is structured as a combination of the underlying theory for, and the practice of, international financial management. International financial management requires a thorough understanding of on foreign exchange risk management, working capital management, cross-border sourcing capital globally, and finally multinational tax management. The lectures will focus primarily on the theory. The applications will be addressed through in-class case discussions and analysis.

COURSE OUTLINE**

Readings (MFT), End of Chapter Questions (Q). End of Chapter Problems (P)

Date/ Class	Subject/Lecture Note Reference/Additional Readings/Cases	
1. July 14: Week 1	<i>Global Financial Environment: (Section I)</i> Introduction to Multinational Corporate Finance: Section A1 Foreign Exchange Markets: Section A2 <i>Foreign Exchange Theory: (Section II)</i> Exchange Rate Forecasting: Section B1	MFT Ch 1-3,6 (Q) Ch 3: 2-6,9-11, 15 Ch 6: 1-4, 7,9 (P) Ch 3: 5-8, 22-29 Ch 6: 3-9, 12-14
2. July 15: Week 1	<i>Foreign Exchange Theory: (Section II)</i> Exchange Rate Forecasting: Section B1 (cont) Parity Conditions Section B2 Cases: “Turkey’s Kriz (A): Deteriorating Balance of Payments”, pages 91-93 (Discussion only)	MFT Ch 4-5 (Q) Ch 5: 1-3, 7-8, 10, 12 Ch 4: 6-10 (P) Ch 4: Entire Ch 5: Odd numbers
3. July 21: Week 2	<i>Foreign Exchange Theory: (Section II)</i> Cases: “The Introduction of the Porsche 911 Carrera 4S Cabriolet”, pages 123-124 “Turkey’s Kriz (B): Uncovered Interest Arbitrage”, pages 125-128	
4. July 22: Week 2	<i>Risk Management Framework (Section III)</i> Understanding the Needs of the Corporate Treasurer: Section C1 Designing a Risk Management Strategy: Section C2 Identifying Risk Profiles: Section C3 Cases: “The Venezuelan Bolivar Black Market”, 197-201	
5. July 28: Week 3	<i>Managing Transactions Exposure (Section IV)</i> Identifying Foreign Exchange Exposure: Section D1 Forward Rate Based Products : Section D2 Cases: “Xian-Janssen Pharmaceutical and the Euro”, pages 274-277	MFT Ch 8 (Q) Ch 8: Entire (P) Ch 8:5-11, 14-15, 17-20
6. July 29:	<i>Managing Transactions Exposure (Section IV)(Continued)</i>	MFT Ch 7

Week 3	<p>Roll-Over Forward Cover: Section D3 Options Based Products: Section D4</p> <p>Cases: “Lufthansa’s Purchase of Boeing 737s”, pages 278-279</p>	<p>(Q) Ch 7: 1-6, 10 (P) Ch 7: 2-5, 7-8, 10</p>
7. August 4: Week 4	<p><i>Managing Translation and Strategic Exposure (Section V)</i></p> <p>Measuring & Managing Translation Exposure: Section E1 Measuring & Managing Strategic Exposure: Section E2</p> <p>Cases: “Porsche Exposed”, pages 322-325</p>	<p>MFT Ch 10 (Q) Ch 10: 1-10, 12-13, (P) Ch 10: Entire</p>
8. August 5: Week 4	<p><i>Managing Translation and Strategic Exposure (Section V) (Continued)</i></p> <p>Marketing and Pricing Issues: Section E3 FX Invoicing and Pricing Issues: Section E4</p> <p>Cases: “Toyota’s European Operating Exposure”, pages 326-329 “La Jolla Engineering Services”, pages 357-357</p> <p><i>Review for Examination</i></p>	<p>MFT Ch 9 (Q) Ch 9 : 1-2, 5-13, (P) Ch: 1-5, 8-10</p>
9. August 11: Week 5	<p><i>Mid-term Examination</i></p>	
10. August 12: Week 5	<p><i>Multinational Working Capital Management (Section VI)</i></p> <p>Trade Finance: Section F1 International Cash Management: Section F2</p>	<p>MFT Ch 20,22 (Q) Ch 20: 1, 4, 6-7, 10 (P) Ch 20:1-6</p>
11. August 18: Week 6	<p><i>Multinational Working Capital Management (Section VI)</i></p> <p>Cases: “Crosswell International’s Precious Ultra-Thin Diapers”, pages 666-670 <i>Cost of Debt and Interest Rate Risk Management (Section VII)</i></p> <p>Euro-Currency Markets: Section G1</p>	<p>MFT Ch 20,22 (Q) Ch 22: 1-6, 9-15, 18, 22 (P) Ch 22: 1-4, 6, 10-11</p>
12. August 19: Week 6	<p>Cost of Debt and Interest Rate Risk Management (Section VII)</p> <p>Euro-Currency Markets: Section G1 International Cost of Debt Issues G2 Interest Rate Risk Management: Section G3</p>	<p>MFT Ch 11, 13, 14 (Q) Ch 13: 5-6, 8-9 Ch 14: 1, 5, 7-11</p>

	Cases: “Honeywell and Pakistan Airways”, pages 736-738	(P) Ch 13: 4-6, 9-10 Ch 14: 1-3, 6-8, 10
13. August 25: Week 7	International Tax Management International Tax Management: Section Q Case: “McDonald’s Corporation’s British Pound Exposure”, pages 485-486	MFT Ch 21 (Q) Ch 21: 2-7, 9, 11-12, 17-19 (P) Ch: 2-3, 7-9
14. August 26: Week 7	Final Exam	

****Calendar subject to change.**

The following mini-cases require you to turn in an *individual* written response to the questions on the cases given in the text. The write-ups are due at the start of the class period that the case will be discussed. The individual case write-ups shall be no more than 2 pages, double-spaced with appropriate margins. Please use 12 font.

The Introduction of the Porsche 911 Carrera 4S Cabriolet, pages 123-124
Xian-Janssen Pharmaceutical and the Euro, pages 274-277
Lufthansa’s Purchase of Boeing 737s, pages 278-279
Toyota’s European Operating Exposure”, pages 326-329
Crosswell International’s Precious Ultra-Thin Diapers, pages 666-670

The following mini-cases require you to turn in a *group* written response to the questions on the cases given in the text. The groups will be assigned by me. The write-ups are due at the start of the class period that the case will be discussed. The group case write-ups shall be no more than 4 pages, double-spaced with appropriate margins. Please use 12 font.

Turkey’s Kriz (B): Uncovered Interest Arbitrage, pages 125-128
Porsche Exposed, pages 322-325
La Jolla Engineering Services, pages 357-357
Honeywell and Pakistan Airways, pages 736-738
McDonald’s Corporation’s British Pound Exposure, pages 485-486

The solutions to the problems and the questions in the Moffett test are available electronically on Sakai. You are expected to work on these questions and problems on your own. They will form the basis for some of the questions and problems on both the midterm and the final.

Course Grading (Approximate)

Mini-Case Write-ups	25%
Mid-term Examination	50%

Final Exam

25%

The mid-term Examination will cover everything up to and including the material through week 4 of the class. **The midterm will be held during the class session on Monday, August 11.** The Final will cover the material presented from week 5 through week 7 and will be administer during the scheduled class on Tuesday, August 26.