

PALOMAR COLLEGE
COURSE OUTLINE OF RECORD FOR
DEGREE CREDIT COURSE

 X Transfer course X A.A. degree applicable course
(check all that apply)

COURSE NUMBER AND TITLE: IBUS 115 International Banking and Finance

UNIT VALUE: 3

MINIMUM NUMBER OF SEMESTER HOURS: 48

BASIC SKILLS REQUIREMENTS: Appropriate language and computational skills.

ENTRANCE REQUIREMENTS

PREREQUISITE: None.

COREQUISITE: None.

RECOMMENDED PREPARATION: IBUS 100.

SCOPE OF COURSE: Provides an awareness of the applicability and limitations of business finance theories and practices when applied to the financial management of international business. Also emphasizes the international dimension of banking and finance through the foreign exchange rates and markets. Introduces students to foreign currency loans, capital budgeting for foreign projects, and examines many of the significant policies and sources of international funds.

SPECIFIC COURSE OBJECTIVES: Successful students will

1. analyze the international dimensions of finance through the international monetary system, fiscal and economical policy, forecasting exchange, and interest rate parity;
2. identify and analyze the role of foreign trade and international financial management in the daily operation of the multinational firm;
3. identify and analyze the international sources of funding (such as international capital markets and the development and creation of the Eurodollars) and the marginal cost of capital in segmented

- versus integrated markets, with emphasis on foreign exchange rates and portfolio diversification;
4. identify the financial requirements of international business, such as theories of loan application and processing procedures, and the guaranty for the risks of war, revolution, or insurrection in different global markets;
 5. analyze foreign and international agencies for international agencies development, programs for the Import and Export Bank of the United States, credit and loan policies, guarantees, and insurances;
 6. identify and evaluate different types of loan procedures, terms of investment, and opportunities for U.S. capital goods manufacturers.

CONTENT IN TERMS OF SPECIFIC BODY OF KNOWLEDGE:

- I. The international dimension of finance
 - A. Host-country public policy
 1. Monetary policy
 2. Fiscal policy
 3. Economic Development policy
 4. Political risk
 - B. International financial flows
 1. U.S. balance of payments
 2. Foreign country balance of payments
- II. The foreign exchange rates and markets
 - A. Foreign exchange rates
 1. Spot rates
 2. Forward exchange rates
 3. Bids and asks
 4. Cross rates
 5. Percent change in exchange rates
 - B. The foreign exchange market
 - C. Forecasting exchange rates
 1. The international monetary system
 2. Purchasing power parity
 3. The Fisher effect and international Fisher effect
 4. Interest rate parity
 5. The forward rate as an unbiased predictor of the future spot rate
 6. Government intervention
- III. Foreign exchange rate management
 - A. Translation exposure
 1. Calculating translation exposure
 2. Reducing translation exposure with a forward market
 3. Reducing translation exposure with a balance sheet hedge
 4. Hedging translation exposure in the money market
 5. An unhedged posture

- B. Effects of the use of different translation methods on the consolidation of foreign subsidiaries.
- IV. Working capital management
 - A. Constraints on positioning funds
 - B. Unbundling fund remittances
 - 1. Financial payments from affiliate to parent
 - 2. Operational payments from affiliate to parent
 - C. Tax aspects of unbundling
 - D. Transfer pricing
 - E. Multilateral melting
 - F. Leads and lags
 - G. Free trade zones
- V. International sources of funds
 - A. International capital markets
 - B. The Eurocurrency market
 - 1. Development of the Eurocurrency market
 - 2. Creation of Eurodollars
 - C. The international bond market
 - D. Financing international trade
 - 1. Letter of credit
 - 2. The draft
 - 3. Bill of Lading
- VI. Cost of capital and financial structure
 - A. Availability of capital
 - B. Market segmentation
 - 1. Causes of market segmentation
 - 2. The marginal cost of capital - segmented versus integrated markets
 - C. International portfolio diversification
 - D. Foreign exchange risk
 - E. Optimal financial structure
- VII. Capital budgeting for foreign projects - foreign complexities
 - A. Project versus parent rate return
 - B. Foreign exchange risk
 - C. Political risk
 - D. Strategic considerations
- VIII. U.S. Commercial banks
 - A. Short-term assistance
 - B. Medium-term export credit
 - C. Project loan
 - D. Availability of credit
 - E. Edge act financing corporations
- IX. Export-import bank
 - A. Forms of assistance
 - B. Credit and loan policies
 - C. Medium-term export credits, guarantees, and insurance
 - D. Standard requirements
 - E. Commercial banks
 - F. Terms
 - G. Project-loan guarantees

- H. Procurement procedures
- I. Application for a project loan
- J. Distribution of project loan
- X. Agency for international development
 - A. Aid programs
 - B. Organization and basic policies
 - C. Loan applications and processing procedures
- XI. Foreign currency loans
 - A. Types of loans
 - B. Loan policies
 - C. Terms and procedures
 - D. Application procedures
- XII. Investment guaranty program
 - A. Procedures for obtaining a guaranty
 - B. The convertibility guaranty
 - C. The expropriation guaranty
 - D. Guaranty for the risks of war, revolution, or insurrection
 - E. Extended risk guaranty
- XIII. International bank for reconstruction and development
 - A. Types of loans
 - B. Terms and procedures
 - C. Application procedures
- XIV. International finance corporation
 - A. Policies
 - B. Terms of investment
 - C. Opportunities for U.S. capital goods manufacturers
- XV. Inter-American development bank
 - A. Ordinary capital resources and fund for special operations
 - B. Loan policies
 - C. Procurements, policy, and procedures
 - D. Social progress trust funds

REQUIRED READING:

Madura, Jeff. International Finance Management. 5th edition. St. Paul: West Publishing Company, 1998.

SUGGESTED READING:

Wall Street Journal.
Asia Wall Street Journal.
Maquiladora Magazine.

REQUIRED WRITING:

Five (5) international banking and finance case studies, each requiring a minimum of a five-page, typewritten analysis.

OUTSIDE ASSIGNMENTS:

Students are expected to spend a minimum of three hours per unit per week in class and on outside assignments, prorated for short term classes.

In addition to studying text assignments and lecture notes, and in completing the required writing, students will prepare current international events reports on the multinational environment.

INSTRUCTIONAL METHODOLOGY: A combination of lecture, case studies, speakers, and films.

Check all that apply:

- lecture
- laboratory
- lecture-laboratory combination
- directed study

This course may be offered as a distance education course and meets Title 5 regulations 55370, 55372, 55374, 55376, 55378, and 55380.

Yes No

If yes, check all that apply. (See guidelines for preparation for definitions.)

- telecourse
- mediated instruction
- computer assisted instruction

GRADING POLICY AND STANDARDS (include methods of determining whether the stated objectives have been met by students):

Five (5) case studies @ 8%.....	40%
Four (4) separate exams @ 10%.....	40%
One (1) final exam @ 20%.....	20%
TOTAL.....	100%

IS COURSE REPEATABLE FOR REASON(S) OTHER THAN DEFICIENT GRADE?

Yes No Number of times course may be taken for credit: 1

If yes, identify specific provision of Title 5 Division 2 section(s) 55761-55763 and 58161 which qualifies course as repeatable:

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