



**THE CHINESE UNIVERSITY OF HONG KONG  
INTERNATIONAL SUMMER SCHOOL (JULY SESSION)  
29 JUNE – 2 AUGUST 2021**

**FIN3020 INTERNATIONAL FINANCE**

**Time:** Tuesday, Wednesday & Thursday 09:30 – 11:30 (GMT +8)

Plus Pre-Recorded Online Lectures

**Location:** Online (Zoom)

**Instructor:** Prof. Chuck C. Y. KWOK

Moore School of Business, University of South Carolina

**Email:** [ckwok@moore.sc.edu](mailto:ckwok@moore.sc.edu)

**Teaching Assistant:** Dzit Yu LEE

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**COURSE DESCRIPTION**

This course aims to analyse international monetary relations and problems. Major areas of discussion include basic concepts and analysis of the balance of payments, the foreign exchange market, determination of spot and forward exchange rates, international capital flows, the payments adjustment mechanism, international monetary problems and arrangements, and international debt and its development.

**Prerequisite:**

FINA2010 Financial Management; FINA2011 Introduction to Financial Markets; FINA2110 Financial Management: Foundations and Analysis; FINA2310 Fundamentals of Business Finance; or permission from the [OAL Office](#).

Students who take this course generally have taken a basic finance course. Judging from past years' experience, students who lack the background of a basic finance course generally do not perform well in the final examination unless they are willing to spend extra hours and effort to read some basic finance textbooks on their own before or during this course.

The prerequisite can be waived for non-CUHK students. Please e-mail [summer@cuhk.edu.hk](mailto:summer@cuhk.edu.hk) if you would like to seek permission from instructor, with your name, institution and application number.

**LEARNING OUTCOMES**

To provide students with the theoretical backgrounds necessary to appreciate and understand problems faced by financial managers in an international setting.

- 1) Understand the international monetary environment
- 2) Analyse the balance of payments of a country to detect its financial health.
- 3) Understand the foreign exchange market mechanisms and how currency market distortions affect global competitiveness and trade imbalance.
- 4) Apply forecasting techniques to forecast future foreign exchange rates.
- 5) Analyse the foreign exchange exposures of a company and apply different hedging methods to reduce the foreign exchange loss.
- 6) Evaluate the imperfections of global market imperfections to raise capital at lower cost and therefore enhance the company's global competitiveness.
- 7) Understand how international investment decision should be made in the presence of foreign exchange risks, political risks, and different tax regimes.

- 8) Apply international capital budgeting technique to evaluate if a firm should establish a subsidiary in a foreign country.

### REQUIRED TEXTBOOK

Cheol Eun, Bruce Resnick and Tuugi Chuluun, **International Financial Management**, 9th Edition, New York, NY: McGraw-Hill, 2021, ISBN 978-1-260-01387-0 (bound edition), 978-1-260-78883-9 (loose-leaf edition) (ER).

### LECTURE NOTES

There will be three cases used in this course: *CS Publishing Inc.*, *Walt Disney Company's Yen Financing and Dorchester*. Two of the cases, Lufthansa and Dorchester, are made available to the students on the Blackboard.

### CASES

Stephen Sapp, "CS Publishing Inc.: Foreign Exchange Risk Management", Ivey Publishing, Harvard Business School Case (W19726). William Allen and Carl Kester, "The Walt Disney Company's Yen Financing", Harvard Business School Case (9-287-058). You may purchase the cases at <https://hbsp.harvard.edu/import/829470>. If you have not registered with Harvard Business Online, you will be required to do so. For technical assistance, please view the Quick Tips section or contact Harvard Business School Publishing at 1~800~810~8858 or 617~783~7700. They are open 8am~6pm Eastern Standard Time. They can also be reached at [techhelp@hbsp.harvard.edu](mailto:techhelp@hbsp.harvard.edu).

### TEACHING AIDS

There are quite a few pre-recorded lectures for students to watch on each topic before the live sessions. Students should watch them before the class so that we may have more time for interaction in class. During the live sessions, there will be summaries of lectures, instructors answering students' questions, discussion on current events, case analysis and group exercises. Documentary videos will also be shown in class to illustrate the operation of various aspects of international financial markets. The instructor will also set some weekly office hours over Zoom for students to attend if needed to ask individual questions.

### GRADING WEIGHTS

Class Participation	15%
Case Report (Group Assignments)	25%
Peer Rating	10%
Final Examination	50%

### ***Class Participation***

Students are expected to attend each live session regularly, punctually, and actively participate in every live class session. Students need to turn on their videos during the live Zoom session in order to enhance class interaction. Failure to do so will result in low class participation grade. To students who are located in a time zone where the class time is their bedtime, they are not required to attend the live sessions. Their participation grade is not counted toward the final grade. Their final grade will be weighed more heavily on the other components of the course. However, such latter students should get the instructor's permission for not attending the live sessions.

Students should report all leave and absences, including sick leave and absences from class, to their course teacher and the Office of Academic Links. In case of illness/injury necessitating absence, a medical certificate is required as documentary evidence. A student who has been absent for a continuous period exceeding two consecutive days shall be considered to have withdrawn from the International Summer School. All fees paid will not be refunded.

### **Format of Examination**

A variety of question types such as multiple-choices, short explanations, short problems and long problems will be seen. A sample of examination questions can be found on the Blackboard under "Course Documents". You are responsible for the lecture materials as well as the assigned readings although the latter may not be fully covered in class. The examinations will be taken online.

Finance exams are not qualitative essays; there are definite numerical answers. It is easy for dishonest students to copy answers. Therefore, to ensure the integrity of the exam process, all students will take the exam at the same time. The final examination is from 9:30 a.m.– 12:00 noon on 8/2 (Monday) (GMT+8). This date will not be changed. No make-up examination will be given.

The exam is individual work. There should be no communication between students during the exam time. Copying answers from others or internet sites in answering test or exam questions is considered cheating. There will be severe penalty. Respondus Lockdown Browser and Respondus Monitor will be employed during the online examination. Students should not use other electronic devices except a hand calculator during the exam. It is an open-booked exam. If students want to review notes during the exam, they should make hard copies to be used then. Since the exam time is tight, students should not search for the answer of every question from the textbook or notes. There will be insufficient time. Students should take the exam as if it was a closed-book exam. Try to answer as many questions as possible by themselves without referring to the notes. Leave the more difficult and unsure questions and save more time at the end to check the textbook or notes.

A student may experience technical difficulties at his or her end during an online examination and therefore cannot complete the examination. The burden of proof rests on the student. He or she needs to contact Blackboard or other related agencies to provide proof that such technical difficulty indeed exists. The instructor may then consider the case and make alternative arrangement.

### **COURSE DESCRIPTOR**

- A: Outstanding performance on all learning outcomes.
- A-: Generally outstanding performance on all (or almost all) learning outcomes.
- B: Substantial performance on all learning outcomes, or high performance on some learning outcomes which compensates for less satisfactory performance on others, resulting in overall substantial performance.
- C: Satisfactory performance on the majority of learning outcomes, possibly with a few weaknesses.
- D: Barely satisfactory performance on a number of learning outcomes
- F: Unsatisfactory performance on a number of learning outcomes, or failure to meet specified assessment requirements.

### **ASSIGNMENT SUBMISSION & FEEDBACK**

#### **Problems**

Assigned problems are posted on the Blackboard. You do not need to hand in your work. Answers are already included in the files made available to the students. Do try to solve the problems before checking the answers. You will see some "familiar faces" in the examinations.

#### **Case Reports**

Form teams of 3 (or 4) people. Each team should submit a typewritten report on the three cases via Blackboard. **The case report is due by 9:00 a.m. (GMT+8) on the day when the case is discussed.** A declaration from VeriGuide should also be attached to your report when submitted. **Your reports (as well as the examination) will be graded and shown to you within two business days.**

Using the words or ideas of another as if they were one's own is a serious form of academic dishonesty. If another person's complete sentence, syntax, key words, or the specific or unique ideas and information are used, one must give that person credit through proper citation. Please use the APA (American Psychological Association) style in your citation. For citation guidelines, please visit the following online resources provided by CUHK: <https://libguides.lib.cuhk.edu.hk/c.php?g=566638&p=3902763>  
[https://www.ilc.cuhk.edu.hk/EN/ENResources/Writing\\_Citation.aspx](https://www.ilc.cuhk.edu.hk/EN/ENResources/Writing_Citation.aspx)

Students will be given a chance to assess the contribution of their teammates. The assessment contributes to 10% of your overall grade. Details of this peer assessment will be made available on the Blackboard.

#### CLASS SCHEDULE

<u>Week</u>	<u>Date</u>	<u>Topics</u>	<u>Readings/Assignment</u> <u>(Eun and Resnick)</u>
1	<b>I. Introduction</b>		
	1 <i>Tues, June 29</i>	Introduction	Chapter 1
	2 <i>Wed, June 30</i>	International Monetary Environment	Chapter 2
	<i>Thu, July 1</i>	Public Holiday (No Class)	
2	3 <i>Tue, July 6</i>	Balance of Payments	Chapter 3
	<b>II. Foreign Exchange Management</b>		
	4 <i>Wed, July 7</i>	Foreign Exchange Market	Chapter 4
	5 <i>Thu, July 8</i>	Foreign Exchange Forecasting	Chapter 5
3	6 <i>Tue, July 13</i>	Foreign Exchange Risk Management	Chapters 8-9
	7 <i>Wed, July 14</i>	Foreign Exchange Risk Management <b>Case Discussion: CS Publishing Inc.</b>	Chapter 10
	<b>III. International Financing Strategies</b>		
	8 <i>Thu, July 15</i>	International Financial Markets Sourcing Debt Internationally	Chapter 11 Chapter 12
4	9 <i>Tue, July 20</i>	Swap and Int. Rate Risk Mgt.	Chapter 14
	10 <i>Wed, July 21</i>	<b>Case Discussion: The Walt Disney's Yen Financing</b> Sourcing Equity Internationally	Chapter 13
	<b>IV. International Investment Decision</b>		
	11 <i>Thu, July 22</i>	Foreign Market Entry Modes Foreign Direct Investment	Chapter 16
5	12 <i>Tue, July 27</i>	International Capital Budgeting	Chapter 18
	13 <i>Wed, July 28</i>	FDI Risk Management	Chapter 16
	14 <i>Thu, July 29</i>	<b>Case Discussion: Dorchester</b> Conclusions	

## ACADEMIC POLICIES

Attention is drawn to University policy and regulations on honesty in academic work, and to the disciplinary guidelines and procedures applicable to breaches of such policy and regulations. Details may be found at <http://www.cuhk.edu.hk/policy/academichonesty/>.

With each assignment, students will be required to submit a signed declaration that they are aware of these policies, regulations, guidelines and procedures.

- In the case of group projects, all students of the same group should be asked to sign the declaration, each of whom is responsible and liable to disciplinary actions should there be any plagiarized contents in the group project, irrespective of whether he/she has signed the declaration and whether he/she has contributed directly or indirectly to the plagiarized contents.
- For assignments in the form of a computer-generated document that is principally text-based and submitted via VeriGuide, the statement, in the form of a receipt, will be issued by the system upon students' uploading of the soft copy of the assignment. A user manual of VeriGuide can be found at: [https://academic.veriguide.org/academic/documents/VeriGuide Academic Student User Manual CUHK .pdf](https://academic.veriguide.org/academic/documents/VeriGuide%20Academic%20Student%20User%20Manual%20CUHK.pdf).

Assignments without the properly signed declaration will not be graded by teachers.

Only the final version of the assignment should be submitted via VeriGuide.

The submission of a piece of work, or a part of a piece of work, for more than one purpose (e.g. to satisfy the requirements in two different courses) without declaration to this effect shall be regarded as having committed undeclared multiple submission. It is common and acceptable to reuse a turn of phrase or a sentence or two from one's own work; but wholesale reuse is problematic. In any case, agreement from the course teacher(s) concerned should be obtained prior to the submission of the piece of work.

## BRIEF BIOGRAPHY OF PROFESSOR CHUCK C. Y. KWOK



Dr. Kwok is Research Professor of International Business at the University of South Carolina. From 1996-2017, he was a Distinguished Business Partnership Foundation Fellow and Professor in the International Business Department. Since 1990, the International Business department at South Carolina has been consistently ranked by the *U.S. News and Report* among the top three International Business programs in the United States. He received a Ph.D. degree with a major in International Business from the University of Texas at Austin. His research concentrates on international finance and international business education. He is one of the pioneers conducting interdisciplinary research on how national culture influences various financial practices around the world. He has published over seventy refereed journal articles as well as five books and monographs. His articles appear in journals such as *Journal of International Business Studies (JIBS)*, *Academy of Management Journal*, *Review of Finance*, *Journal of Corporate Finance*, *Journal of Banking and Finance*, *Journal of Business Ethics* and so forth. His academic papers have received a number of research awards, including the prestigious Moskowitz Prize, given

by the Center for Responsible Business, University of California at Berkeley. A research note recently published in *JIBS* ranks Professor Kwok as #4 worldwide among the most published authors in the *Journal of International Business Studies*, the premier journal of the field of International Business during the period of 1970-2016.

Professor Kwok was the President of the Academy of International Business from 2018-2020. He was the AIB Vice President-Administration in 1995-1996. In 2017, he was elected a Fellow of the Academy of International Business for his significant contribution to international business research and education. He has served on eight journal editorial boards. He has served as a member of the editorial board of *Journal of International Business Studies* under different editors-in-chief. At the University of South Carolina, he served on the 24-Person University Tenure and Promotion Committee from 2007-2009. He was the coordinating director of the Ph.D. program in International Finance from 1995-2008. He was a recipient of the International Advocate Award of the University of South Carolina in 2009.

Professor Kwok has been teaching various international finance and China business courses at both master and doctoral levels at the University of South Carolina since Fall, 1984. He received numerous teaching awards within the College of Business Administration, including the Alfred Smith Award for Excellence in Teaching. Besides teaching at the University of South Carolina, he has been consistently invited as a visiting professor at prestigious institutions around the world, including the Peking University (Beijing University, PRC), the Chinese University of Hong Kong (Hong Kong, PRC), Jiaotong University (Shanghai, PRC), Wirtschaftsuniversitat Wien (Austria), and the Monterrey Institute of Technology (ITESM, Mexico).

In December 1999, he was awarded the honor of Guest Professorship by the Peking University, PRC. In 2007, he was invited to join as a member of the Center for China Financial Research at the Peking University. In 2012, he was given the Best Teaching Award of the Beijing International MBA program of the Peking University. In 2015, he was given the "Teaching Excellence Award" of the Vienna Executive MBA program jointly offered by the University of Minnesota and Wirtschaftsuniversitat Wien. Besides teaching regular full-time business students, he also conducts seminars for multinational corporations such as Verizon, Westinghouse, International Paper Corporation, Sonoco, Milliken, Flour and so forth. He was interviewed by the National Public Radio ("All Things Considered" program), China's CCTV (national TV channel of China), and WIS-TV on Newswatch program.

#### Education

Ph.D., University of Texas, Austin, 1984

M.A., Chinese University of Hong Kong, 1981

B.A., Chinese University of Hong Kong, 1979