



## Course Outline

<b>Course number</b>	<b>RBE146</b>					
Course title	International Financial Management					
Credit points	3 ECTS (2 CP)					
Total hours	30					
Lecture hours	15					
Seminar and other hours	15					
Course level	Bachelor					
Prerequisites	RBB131 – Risk Management					
Category	Mandatory		<b>Restricted elective</b>	<b>X</b>	Free elective	

### COURSE TEACHERS

<b>No.</b>	<b>Name</b>	<b>Academic degree</b>	<b>Academic position</b>
1	Dirk Linowski	Prof. Dr. Dr. h.c.	Full Professor

### COURSE ABSTRACT

This course develops a broad conceptual framework for making international financial decisions. Topics include purchasing power parity, spot and forward rate fundamentals, foreign exchange risk, valuation of financial derivatives and portfolio insurance. The intent is to provide an effective base of information so that students understand the issues and risks involved in international financial management and have exposure to some of the tools to manage these risks efficiently and effectively. We discuss the impact of domestic and foreign interest rates and currency exchange rates on the financial success of a business. Using the no arbitrage argument, the complexity of financial markets is explained, followed by technical means to insure against a “bad” development of the currency exchange rate. We continue with pricing models of financial put and call options and the cost and benefits of using them in actual international business.

The ‘story’ of International Financial Management will be illustrated along Porsche’s attempt to take over Volkswagen.

### COURSE OBJECTIVES

The first focus is on identifying a developing country’s industries which can compete on international markets. At the end of the course students will have a basic understanding of hedging currency risk and interest rate exposures.

### GRADING CRITERIA

<b>Criteria</b>	<b>Weighting</b>
Exam	100%

**COURSE PLAN – SESSIONS**

<b>Session</b>	<b>Subject</b>	<b>Lecture/seminar</b>
1	Globalisation of financial markets and the determination of exchange Rates	L
2	The currency exchange market and its dynamics	L/S
3	Arbitrage and the Law of One Price vs. Purchasing Power Parity	L/S
4	Forward vs. spot rates, cost of carry	L
5	Currency futures, 1 period,	L
6	Currency futures, 2 periods	L/S
7	Currency futures (exercises)	S
8	Intro Financial Options	L
9	Put-Call-Parity, binomial trees	L
10	Binomial trees ctd.	S
11	Toward Black-Scholes formulae	L
12	The Greeks	L
13	Valuation of Options on Currencies (Garman-Kohlhagen)	L
14	Delta-Hedging, Exercises	S
15	Exercises with Excel	S

**COURSE LITERATURE**

<b>No.</b>	<b>Author, title, publisher</b>
1	Hull: Options, Futures and other Derivatives, Prentice Hall 2011
2	McDonald: Derivatives Markets, Prentice Hall 2005
3	Course compendium with additional materials