

**Kuwait University**  
**College of Business Administration**  
**Department Of Finance**

**International Corporate Finance**  
**Course Syllabus**  
**Fall 2023**

Instructor's Name: Turki Alshammari  
Email: latasi99@gmail.com  
Office Hours: Sun., Tue., and Thur., 10:00 – 11:00, or by appointment.

**Textbook**

Multinational Financial Management, 10<sup>th</sup> edition, 2014, by Alan C. Shapiro  
*Of course, the KU library is rich in similar textbooks that are very useful.*

**Course Description**

This course focuses on multinational firm operations. As they extend their domestic operations and bring their activities outside the borders of the countries they reside in, multinational firms are the main vehicles by which international trade is facilitated and spread. The volatile exchange rate is a focal point in this course. The risks that are brought up by the swinging exchange rates have to be hedged away by multinational firms. On the other hand, should they become attainable, investments and financing opportunities have to be capitalized by these firms. Also, this course will emphasize the global integration of international markets, which has resulted in mitigating some of the effects of market imperfections and hence created more opportunities for multinational firms in terms of raising cheaper capital.

**Course Objective**

The main objective of this course is to extend and articulate the conceptual framework of some finance concepts that have been gleaned

in finance elementary courses in order to provide students with knowledge that enables them to make proper business decisions in an international setting. Hence, providing a conceptual framework within which the key financial decisions of multinational firms are analyzed is the thrust of this course. Another goal is to expose students to the exchange rate risk and how to effectively deal with the complexities that result from the volatility in exchange rates. This should serve another goal, which is to enhance the student's knowledge of new ways of how investors can increase their returns while lowering their risks. Another objective is to enrich the student's knowledge with the practical aspects of international finance, which should serve the noble objective of enhancing the student's learning process from a global perspective. Keep in mind always that **understanding** the concepts is very crucial. Also, understanding the critical ties among topics is central to the comprehension process. I believe that the assigned work throughout the course should take care of understanding the details. All in all, failing to remember a detail is not a problem but forgetting the story is a real problem.

**Grading**

The grading of this course is directed through two exams and several assignments. The grade distribution is as follows:

Exam I:	25%
Report & assignments:	35%
Final Exam:	40%.

**Course Requirements**

This course concentrates on exposing students to many issues in global financial management by shedding light on the practical aspects of international finance. Generally speaking, the main requirements are simply the following:

- (1) Attending all class sessions (remember that the class meeting time is a contract between the instructor and the student)
- (2) Preparing for the class (some review of the materials before attending the class is very helpful).
- (3) Full exploitation of the office hours is necessary.
- (4) Turning-in homework assignments as scheduled. Points will be taken off the grades of any delayed assignment.
- (5) Attending exams on their time. There will be no make-up exams except for serious and compelling reasons that are supported by proper evidence.

### **Topics Covered**

- (1) The environment of International Financial Management  
The Multinational financial management, what determines the exchange rate, the international monetary system, parity conditions, the balance of payment, and country risk analysis.  
(Chapters 1, 2, 3, 4, 5, and 6)
- (2) FX markets  
FX mkts. and derivative mkts.  
(Chapters 7, 8, and 9)
- (3) FX Risk Management  
Measuring and managing the FX risk  
(chapters 10 and 11)

### **The Mid-Term Exam**

- (4) Financing the Multinational Firm  
International financing, Euromarkets, and the Cost of capital  
(Chapters 12, 13, 14)
- (5) Foreign Investments

International portfolio management, FDI, and Capital Budgeting  
(Chapters 15, 16, 17)

- (6) Working Capital Management  
Financing trade and CA mgt  
(Chapters 18 and 19)

### **The Final Exam**

### **The Report**

*“If you can’t apply it, why do you care”*

In order to enhance student comprehension and to achieve the course objective of understanding the applicability of the concepts in the textbook, students need to select an MNC, read about the selected MNC throughout the course, obtain its annual report, and then answer all the questions outlined below. The questions cover most of the concepts spelled out in the textbook. Students are free to assume/add other questions that are related to the topic. **HINT:** It is better that the selected MNC is an internationally well-known MNC as data about them are abundant. I suggest considering the Fortune 500 firms. Start always with the annual report which can be downloaded from the website of the MNC. Additional information can be obtained by writing to the MNC (only big MNC cooperate in supplying information).

### **Chapters 1 and 16**

- (1) Describe the main business of the MNC.
- (2) What is the goal of the MNC according to the annual report?
- (3) Describe the international business methods used by the MNC (such as exporting, importing, international joint ventures, development of foreign subsidiaries, etc.).

(4) In what countries does the MNC expect to expand in the near future? Why does the MNC see opportunities in those countries? What are the risks of pursuing new business in those countries?

(5) In what countries does the MNC export products? How has the MNC's export business been

affected by recent changes in the factors that can affect the degree of international trade (such

as national income of foreign countries, inflation of foreign countries, or exchange rate

movements)?

### Chapters 12 and 13

(6) How is the foreign exchange market used by the MNC?

(7) How is the Eurocurrency market used by the MNC?

(8) How is the Eurobond market used by the MNC?

(9) Does it appear that the MNC issues stock in foreign countries? (Determine if its stock is listed on foreign stock markets.)

### Chapters 4, 8, 9, 10 and 11

(10) What are the currencies that the MNC uses to conduct its international business? How have the values of these currencies changed in the last year? (To answer this question, review a recent foreign exchange table provided by any business newspaper and another table containing quotations from a year ago.) The answers to this question will be used in later chapters to figure out how the firm was affected by changes in the values of these currencies.

(11) Does the MNC use currency futures or options for its international business? If so, explain how.

(12) Does the main foreign currency used by the MNC change on a daily basis against the dollar? (To answer this question, review the foreign exchange table for the last two or three issues of any business newspaper.)

(13) Does it appear that the MNC is concerned about exchange rate movements? Based on this answer, does the MNC appear to believe that purchasing power parity holds? Explain.

(14) In what way the MNC is exposed to exchange rate risk? That is, how were the MNC's cash flows recently affected by exchange rate movements according to its annual report?

(15) How were the MNC's consolidated earnings affected due to the translation exposure according to its annual report?

(16) Does the MNC hedge any of its transaction exposure? If so, what techniques does the MNC use to hedge its transaction exposure? Explain numerically.

(17) Does the MNC hedge any of its translation exposure? If so, what techniques does it use to hedge its translation exposure? Explain numerically.

### Chapters 15 and 16

(18) The textbook enumerates several benefits of direct foreign investment. Which of these benefits apply to the MNC's direct foreign investment?

### Chapter 17

(19) Does it appear that the MNC has had a large capital budget for foreign projects recently?

(20) Identify the countries where the MNC has recently implemented new projects. (This can usually be figured out by reviewing the geographical segment data in the annual report and assessing the change in the MNC's assets in each geographic region over the last few years.)

(21) Has the MNC undergone any restructuring (including international acquisitions or divestitures) recently? If so, describe the restructuring. Does this restructuring reflect a change in the focus of the MNC's business?

### Chapter 6

(22) Given the foreign countries where the MNC does most of its international business, describe the types of country risk to which the MNC is exposed.

#### Chapter 14

(23) For the foreign country in which the MNC does most of its business, explain how you would estimate the MNC's cost of capital used to support its business in that country.

(24) Given the foreign countries in which the MNC does most of its international business, do you think the MNC uses mostly equity or debt to support its foreign projects? Explain.

(25) Does the MNC borrow foreign currencies on a long-term basis? If so, does it appear that the MNC is borrowing the currencies that it needs to support its existing international business?

#### Chapter 18

(26) What types of payment methods do you think the MNC uses to pay for imports?

(27) What types of trade finance methods does the MNC use according to its annual report? If these methods are not described in the annual report, what trade finance methods do you think the MNC uses based on its operations?

#### Chapter 19

(28) Does the MNC invest in short-term securities denominated in foreign currencies? Are the funds denominated in the same currencies that the MNC commonly uses to conduct its foreign business operations?

(29) Does the MNC borrow short-term funds in foreign currencies? If so, does it appear that these funds are borrowed to finance existing business denominated in those foreign currencies?

*Good Luck*

*Turki Alshammari, International Corporate Finance  
(MBA 522), Fall 2023*