

University of Pennsylvania
The Wharton School

International Corporate Finance

FNCE 208/731
Fall 2004
Prof. Armando Gomes

Office Hours: Tue 1:00-3:00

Telephone: 898-3477

Overview of the Course

This course addresses corporate financing issues relevant for international corporations (foreign and multinational corporations), and emphasizes comparisons of corporate finance practices around the world.

Topics discussed in the course include: foreign exchange risk management, mergers and acquisitions, comparisons of corporate governance practices around the world, valuation of foreign investments, international taxation, global debt and equity financing, and project finance.

The course mostly benefit students interested in pursuing careers in investment banking, or in managing/advising international corporations. The prerequisite for the course is FNCE 100/101 or 601/602.

Grading and Requirements

The class will be organized into study groups with 3 to 4 students. The groups are expected to meet regularly to prepare assignments and write a research project. The final grade will be based on assignments (15%), research project (10%), first mid-term exam (35%), second mid-term exam (35%), and class participation (5%). If you miss any of the mid-term exams you may take a make-up exam only if the absence is formally excused by the Academic Services Office. Class participation will be evaluated by the instructor over the term and will take into account attendance and active participation in case discussions.

Assignments: There are overall 7 group assignments: one problem set and 6 cases. All groups should turn in case write-ups with a maximum of 3 double-spaced pages plus attached figures and tables with supporting material. Any group can be asked to open discussion of the case and explain details of their analysis. All cases are due at the beginning of the class in which they are discussed.

Research Project: Each group should prepare a research project in a topic relevant to corporate financing (you have until the last day of class 12/8 to turn in your research project). The topic can be, for example, an analysis of a specific corporate finance transaction or an analysis and/or survey about issues such as: IPOs, mergers and acquisitions, project finance, equity and debt financing, corporate governance, private equity financing, etc. The research project should be about 10 pages of written material (double spaced) with up to 10 pages of supporting analysis. Issues are to be analyzed in an economically coherent fashion and include some quantitative analysis.

Readings

Readings for this course are taken from a bulkpack, available at Wharton Reprographics, and a required textbook: *International Financial Management (IFM)*, by Eun and Resnick, McGraw-Hill. A supplement to the textbook with the solutions to end-of chapter questions and problems is also available. Handouts and additional material will be provided throughout the course and will be charged to enrolled student's bursar account at the end of the term.

Copies of the handouts and graded cases/problem sets/exams will be distributed in class. In order to protect the right of the students all written assignments and exams may be submitted for regrading only up to 10 days after the graded assignment is available for pick-up.

Contact

My office hours are on Tuesdays from 1:00 to 3:00pm. My office is located in the finance department, SHDH room 2321. I am also available outside my office hours. Please set an appointment either by e-mail (gomes@wharton.upenn.edu) or by telephone (898-3477).

Course Outline, Readings and Assignments

(Tentative dates)

- 9/8 0. Introduction to the Course
Background readings: IFM Chaps. 1 and 2

Module I: Risk Management

- 9/13 1. Exchange Rate and the International Parity Relations
IFM Chpts. 4 and 5
- 9/15 2. Foreign Exchange Exposures
IFM Chpt. 12
- 9/15 Problem set #1 due**
- 9/20 3. Measuring Foreign Exchange Exposure
IFM Chpt. 12
Identifying, Measuring and Hedging Currency Risk at Merck, J. Lewent and A. Kearney
Handle with Sensitivity, G. Hayt and S. Song
- 9/22 Case: Jaguar plc**
- 9/27 4. Managing Exposures
IFM Chpts. 9 and 13
- 9/29 Case: Aspen Technology, Inc.**
- 10/4 5. Accounting Exposures
IFM Chpt. 14

Module II: Valuation of Foreign Investments

- 10/6 6. International Taxation
IFM Chaps. 20 and 18
- 10/11 Case: Corporate Inversions: Stanley Works and the Lure of Tax Havens**
- 10/13 7. International Valuations: Capital Budgeting
IFM Chapt. 17
Principles of Corporate Finance, Brealy and Myers: Ch. 19 (optional)
- 10/18 8. International Cost of Capital
IFM Chaps. 16 and 11

Globalization of Capital Markets: the Case of Nestle, R. Stulz

10/20 **Case: PepsiCo Bottling in Mexico**

10/27 **First mid-term exam (in class)**

Module III: International Financing

11/1 9. International Debt Financing

IFM Chpts. 6 and 7

11/3 10. Corporate Governance

IFM Chpt. 21

Which Countries Give Investors the Best Protection?, World Bank

11/10 11. International Equity Financing

IFM Chpt. 8

Case: Huaneng Power International

11/15 12. Project Finance

An Overview of the Project Finance Market, Benjamin Esty

11/17 **Case: Petrolera Zuata, Petrozuata**

Module IV: Mergers and Acquisitions

11/22 13. Mergers and Acquisitions: Structuring the Deal

Mergers and Acquisitions, M. Grinblatt and S. Titman

IFM Chpt. 15

11/29 14. Mergers and Acquisitions: Strategies

12/1 **Case: Nestle-Rowntree (A)&(B)**

12/8 **Second mid-term exam (in class)**

12/8 **Last day to turn in research projects**