

University of Pennsylvania  
The Wharton School

**International Corporate Finance**

**FNCE 208/731**

**Fall 2001**

**Prof. Armando Gomes**

**Course home page: [http://finance.wharton.upenn.edu/~gomes/FNCE\\_208\\_731.html](http://finance.wharton.upenn.edu/~gomes/FNCE_208_731.html)**

**Office Hours: Fri 11:00-12:00**

**Tue\* 2:00-3:00**

**Telephone: 898-3477**

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**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, valuation of foreign investments, global debt and equity financing, project financing, comparisons of corporate governance and control practices around the world.

The course mostly benefit those 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. The final grade will be based on assignments (30%), a first mid-term exam (30%), a second mid-term exam (30%), and class participation (10%).

Class participation will be evaluated by the instructor over the term and will take into account attendance and active participation in class discussions. 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.

There are overall 8 group assignments: one problem set and 7 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.

## Readings

All readings for this course are taken from a bulkpack available at Wharton Reprographics. 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.

No textbook is needed for the class, however, in case you want a textbook as a source of reference, I recommend either *Multinational Financial Management*, by Alan Shapiro, Prentice Hall, or *International Financial Management*, by Eun and Resnick, McGraw-Hill.

Redistribution of material: copies of the handouts and graded cases/problem sets distributed in class will be available later on at the student "pick-up" boxes: these boxes are located in a bookshelf at the left of the entrance door of the Finance Department (2300 Steinberg-Hall Dietrich-Hall).

Regrading procedures: 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. The availability of graded assignments will be announced in class.

## Contact

My office hours are on Fridays from 11:00 to 12:00am, and on Tuesdays (only before assignment due dates) from 2:00pm to 3:00pm. My office is located in the finance department, 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). Also stay tuned to the course homepage ([http://finance.wharton.upenn.edu/~gomes/FNCE\\_208\\_731.html](http://finance.wharton.upenn.edu/~gomes/FNCE_208_731.html)). It will be used for current announcements and as an additional channel to re-distribute materials handed-out during classes.

# Course Outline, Readings and Assignments

## 0. Introduction to the Course

## I. Risk Management

### 1) Exchange Rate and the International Parity Relations

International Parity Relationships and Forecasting Foreign Exchange Rates, Eun and Resnick

Is Purchasing Power Parity a Useful Guide to the Dollar, C. Hakkio

**Assignment #1: Problem set (due Wed, Sept 19)**

### 2) Foreign Exchange Exposures: Translation, Transaction and Economic Exposures

Management of Economic Exposure, Eun and Resnick

Corporate Risk Management, The Economist

### 3) Measuring Foreign Exchange Exposure

Management of Transaction Exposure, Eun and Resnick

Management of Translation Exposure, Eun and Resnick

Identifying, Measuring and Hedging Currency Risk at Merck, J. Lewent and A. Kearney

Handle with Sensitivity, G. Hayt and S. Song

**Assignment #2: Jaguar plc (due Wed, Sept 26)**

### 4) Managing Exposure

Techniques for Managing Economic Exposure, G. Bodnar

**Assignment #3: Aspen Technology, Inc. (due Wed, Oct 3)**

## II. Valuation of Foreign Investments

### 1) International Valuations: Capital Budgeting

Principles of Corporate Finance, Brealy and Myers: Ch. 19 (optional, not in bulkpack)

### 2) International Taxation

International Tax Environment, Eun and Resnick, 1999

### 3) International Cost of Capital

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

**Assignment #4: PepsiCo Bottling in Mexico (due Mon, Oct 22)**

**First mid-term exam: Wednesday, October 24 (in class)**

III. International Financing

1) International Debt and Equity Financing

International Financing and International Financial Markets, Alan Shapiro

Global Equity Investing: ADRs, The Bank of New York

2) Initial and Seasoned Public Offerings

**Assignment #5: Huaneng Power International (due Mon, Nov 5)**

3) Project Finance

An Overview of the Project Finance Market, Benjamin Esty

Project Finance: A Primer, T. Pyle

**Assignment #6: Petrolera Zuata, Petrozuata (due Mon, Nov 12)**

IV. Mergers and Acquisitions and Corporate Governance

Mergers and Acquisitions, M. Grinblatt and S. Titman

How to Merge: After the Deal, The Economist

**Assignment #7: The Mergers and Acquisition Game (Mon, Nov 26)**

**Assignment #8: Nestle-Rowntree (A)&(B) (due Wed, Nov 28)**

Which Countries Give Investors the Best Protection?, World Bank

Survey of Corporate Governance, The Economist

**Second mid-term exam: Wednesday, December 5 (in class)**