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| Course unit title: | International Finance | | |
| Course unit code: | AFIN411 | | |
| Type of course unit: | Business Elective | | |
| Level of course unit: | Bachelor (1st Cycle) | | |
| Year of study: | 4 | | |
| Semester when the unit is delivered: | 8 (Spring) | | |
| Number of ECTS credits allocated : | 6 | | |
| Name of lecturer(s): | Dr. Nicos Koussis | | |
| Learning outcomes of the course unit: | 1. Describe of the investment environment, markets and institutions<br>2. Apply portfolio theory analysis using expected returns, risk and explain the concept of diversification<br>3. Calculate the value of stocks using alternative models based on dividend and future free cash flows and use traditional models of optimal capital structure.<br>4. Explain and apply the theory of market efficiency in different settings<br>5. Describe other types of financial instruments like forwards, futures and swaps and their role in hedging risk<br>6. Explain the characteristics of fixed-income securities and the impact of different forms of uncertainty affecting fixed-income securities | | |
| Mode of delivery: | Face-to-face | | |
| Prerequisites: | AFIN101, AFIN102 | Co-requisites: | None |
| Recommended optional program components: | None | | |
| Course contents: | **Introduction to International finance**<br>• The risks of a multinational firm including exchange rate risk, political risk and interest rate risk<br>• The goals of international financial management for shareholder value maximization and risk management<br>• National income accounting and the balance of payments<br>• The effect of national debt and its effect on import/export industries<br>• The link between balance of payments imbalances and exchange rates under fixed and floating exchange rate regimes<br>• The main historical developments of the international monetary environment, the current monetary environment and the reasons for major international financial crises<br>**Valuation of forwards, futures and options**<br>• No arbitrage conditions and rational prices for forward and future contracts<br>• Currency forwards contract pricing<br>• Using forward pricing theory to connect spot currency prices, expected currency prices and home and foreign interest rates<br>• No-arbitrage theory and the valuation of simple currency options and | | |

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| | Quantos<br>**Exchange rate determination and the link with interest rates, prices and economic policy**<br>• The Law of One price and absolute and relative purchasing parity<br>• International version of Fisher Effect connecting inflation, real and nominal interest rates of different countries<br>• Empirical evidence regarding purchasing power parity and potential reasons for these deviations<br>• Interest rate parity by building on the theory of no-arbitrage for forward contracts<br>• The link between expected inflation differences between countries and expected changes in the exchange rates<br>• Covered interest arbitrage for deviations of interest rate parity<br>• Understand the short run equilibrium in the product and asset markets and the effects of temporary and permanent shifts in monetary and fiscal policy<br>**Managing foreign exchange rate and interest rate exposure**<br>• Risks involved in international operations in different industries and their measurement<br>• Using forward, futures and option contracts to hedge currency risk with examples in different industries<br>• Using swaps to hedge interest rate risk<br>**Foreign investment decisions and the cost of capital of international operations**<br>• List the types of entity for foreign operations and possible barriers to entry.<br>• Critically analyse the complexities of foreign direct investment. Discuss the implications of political risk on the overseas investment decision<br>• The international cost of capita using international version of the CAPM. Discuss how the adjusted present value can be used in international investment decisions. Evaluate the international capital structure decision<br>• The effect of taxation on international investment<br>**Developments in the international markets**<br>• Recent developments in international financial markets and the relationships between countries and trade<br>• Financial innovation developments such as Credit Default Swaps (CDS) and their impact on economy<br>• The impact of CDS on firms' capital structure and its choice of debt financing for high risk investments<br>• Other financial (derivatives) and innovations in financial markets (e.g., cryptocurrency) and impact on financial markets |

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| Recommended and/or required reading: | • J. Hull Options, Futures and Other Derivatives, 6th edition, 2006, Pearson-Prentice Hall.<br><br>• M. Crouhy, D. Galai, and R. Mark, Risk Management, 2001, McGraw-Hill.<br><br>• R. Brealey, S. Myers and F. Allen, Principles of Corporate Finance, 9th Edition, 2017, McGraw-Hill. |
| Textbooks: | • D. Eiterman, A. Stonehill and M. Moffet, " Multinational Business Finance" , 11th Edition, 2006, Addison-Wesley<br><br>• P. Krugman, M. Obstfeld, " International Economics: Theory and Policy", 8th edition, Pearson Education Limited, 2008 |
| References: | |
| Planned learning activities and teaching methods: | The taught part course is delivered to the students by means of lecturers, conducted with the help of computer presentations and the use of the board. Lecture notes and other course material like spreadsheet examples are available to students through the web. |
| Assessment methods and criteria: | • Test 40%<br>• Final Exam 60% |
| Language of instruction: | English |
| Work placement(s): | No |