

AFIN411 - International Finance

Course Title	International Finance				
Course Code	AFIN411				
Course Type	Elective				
Level	BA (Level 1)				
Year / Semester	3/4th year				
Teacher's Name	Dr Nicos Koussis / Dr Antonis Michis				
ECTS	6	Lectures / week	3	Laboratories/week	
Course Purpose	The purpose of this course is to introduce firms to the international financial environment. An important goal of the course is to learn the determination and interrelation of several variables including interest rates, prices and exchange rates and to understand and manage the risks of a firm with international operations. The course also discusses recent technological and product related developments in the international markets.				
Learning Outcomes	<ol style="list-style-type: none"> 1. Describe the risks of a firm with international operations 2. List and describe the effects of balance of payments imbalances on exchange rates 3. Apply theory for the determination of inflation, interest rates and exchange rates and calculate sensitivities 4. Demonstrate the use of futures in managing international risks relating to currency 5. Implement adjustments in the CAPM model to account for investment risk in different countries 6. Discuss and explain the applications of financial innovations in the international markets 				
Prerequisites	AFIN101, AFIN102	Co-requisites	None		
Course Content	<p>Introduction to International finance</p> <ul style="list-style-type: none"> • The risks of a multinational firm including exchange rate risk, political risk and interest rate risk • The goals of international financial management for shareholder value maximization and risk management 				

- National income accounting and the balance of payments
 - The effect of national debt and its effect on import/export industries
 - The link between balance of payments imbalances and exchange rates under fixed and floating exchange rate regimes
 - The main historical developments of the international monetary environment, the current monetary environment and the reasons for major international financial crises
- Exchange rate determination and the link with interest rates, prices and economic policy
- The Law of One price and absolute and relative purchasing parity
 - International version of Fisher Effect connecting inflation, real and nominal interest rates of different countries
 - Empirical evidence regarding purchasing power parity and potential reasons for these deviations
 - Interest rate parity by building on the theory of no-arbitrage for forward contracts
 - The link between expected inflation differences between countries and expected changes in the exchange rates
 - Covered interest arbitrage for deviations of interest rate parity
 - Understand the short run equilibrium in the product and asset markets and the effects of temporary and permanent shifts in monetary and fiscal policy
- Managing international risks
- Using forward, futures and option contracts to hedge currency risk with examples in different industries
 - Foreign investment decisions and the cost of capital of international operations (the international cost of capita using international version of the CAPM)
 - The effect of taxation on international investment
- Developments in the international markets
- Recent developments in international financial markets and the relationships between countries and trade
 - Financial innovation developments such as Credit Default Swaps (CDS) and their impact on economy
 - The impact of CDS on firms' capital structure and its choice of debt financing for high risk investments
 - Other financial innovations in financial markets (e.g., cryptocurrency, crowdsourcing) and impact on financial markets

Teaching Methodology	<p>The course is delivered to the students by means of lecturers, conducted with the help of computer presentations and the use of the board.</p> <p>The lecturer discusses cases in international finance and provides readings.</p> <p>Lecture notes and other course material are available to students through the e-learning platform.</p>
Bibliography	<p>(e) Textbooks: D. Eiterman, A. Stonehill and M. Moffet, “ Multinational Business Finance” , 15th Edition, 2019, Pearson.</p> <p>References: P. Krugman, M. Obstfeld, “ International Economics: Theory and Policy”, 11th edition, Pearson Education Limited, 2018</p>
Assessment	<p><u>a) Methods:</u> Students will be assessed with coursework that involves written assignments, a group project, a midterm and a final test. The course involves both explaining concepts and case studies in international finance problems. The students are allocated in teams (max of 3 person) to work on a specific international finance problem.</p> <p><u>(b) Criteria:</u> Assessment criteria are available in each written assignment, group project and in the midterm or in the final exam</p> <p><u>(c) Weights:</u></p> <ul style="list-style-type: none"> • Assignments 10% • Group project 10% • Midterm 20% • Final Exam 60%
Language	English language