



University of  
**Strathclyde**  
Business  
School

## Department of Accounting and Finance

### AG434: International Financial Management

2024/25 Semester 2

20 Module Credits

### **Module Details**

#### **Module Description**

Businesses and capital markets have increasingly operated in a globalized world where markets, trade, and investments cross borders over the past few decades. A solid understanding of international finance helps you appreciate how the global market works and make professional or personal decisions that integrate factors from a broader perspective.

#### Syllabus overview

- Determinants of exchange rate
- The role and intervention of governments in the foreign exchange markets
- Relationships among inflation, interest rates, and exchange rates
- Direct foreign investment and international earning management
- Multinational capital budgeting and tax consideration
- Country risk
- Cost of capital for multinationals
- Financing in the international context
- International banking

#### **Teaching Hours**

Lectures: All weeks, Tuesday 10am-1pm.

#### **Prerequisites**

Honours entry requirements.

It would be helpful if you have some understanding of basic concepts and techniques in finance and economics, such as the Net Present Value (NPV) formula, supply and demand, CAPM, the interpretation of regression results, and monetary policy.

### **Contact Details**

Lecturer: Dr Sheng Li

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Office Hours: Tuesdays (15:00 – 17:00 in SW 331)

## **Module Learning**

### **Module Aims**

Globalization of business is now a fact and no business entity could be argued to be operating in a purely local environment. In fact, the term local is gradually becoming outdated, arguably replaced by the term Global. This module is geared to achieve the objectives of honour's year by motivating the critical discussions and debates on the operation of business finance in the global environment. Using text book, scientific empirical research outputs and application of the issues discussed in the lecture, this module aims to equip future global business leaders (you students) with the tools needed to:

- Appreciate the global financial management issues, puzzles and theories
- Make sound global financial decisions
- Manage the myriad risks that today's businesses face in a competitive global environment
- Appreciate the corporate strategic issues in international setting along with the associated international political and economic risks.

### **Learning Objectives and Outcomes**

#### *Subject-specific knowledge and skills*

On completing this class students should:

- A1 Appreciate the challenges and opportunities encountered by corporations in a globalized world economy
- A2 Identify factors that influence foreign exchange rates
- A3 Distinguish between different exchange rate systems and the associated currency risks
- A4 Discuss the implied equilibrium of the exchange rate and related puzzles
- A5 Understand the motives for using international financial markets
- A6 Understand the role of key factors to be considered in international capital budgeting and determination of costs of capital
- A7 Analyze the key political and economic risk factors in international business

#### *Cognitive abilities and non-subject specific skills*

During the class you will:

- B1 Develop problem solving skills.
- B2 Develop communication and writing skills
- B3 Develop analytical skills in problem solving

## **Module Structure**

### **First Part: Issues Related to Foreign Exchange Rates**

#### **(Semester 2 Week 1,2,3,4)**

- Introduction to International Finance and Overview of Exchange Rates (Chapter 5, MF)
- Balance of Payments and Determinants of Exchange Rates (Chapter 2,5, MF)
- The Role and Intervention of Governments in the Foreign Exchange Markets (Chapter 6, MF)
- Relationships Among Inflation, Interest Rates, and Exchange Rates (Chapter 9, MF)

### **Second Part: Issues Related to the Operation of Business Finance in the Global Environment** (Note: This part includes presentations and discussions.)

#### **(Week 5,6,7,8,9)**

- Direct Foreign Investment and International Earnings Management (Chapter 14, MF)
- Multinational Capital Budgeting and Tax Considerations (Chapter 15, BH)
- Country Risk (Chapter 15, MF)
- Cost of Capital for Multinationals (Chapter 13, BH)
- Financing in the International Context (Chapter 17, MF)

### **Third Part: (Week 10)**

- International Banking and Q&A

Note: For the editions of related chapters from the textbooks, 'MF' refers to the 6th edition by Madura, Jeff, and Fox, Roland. 'BH' refers to the 2nd edition (2012) by Bekaert, G., and Hodrick, R. For more details, see 'Recommended Reading' later.

## **Assessment and Feedback Details**

1. Group written report worth 30%. Due: Wednesday 2nd of April 2025, 4pm. Marks/Feedback will be released on or before Friday 25th of April 2025.  
The group coursework would be related to the paper your group presents, with a word limit of 2,000 words, not including references. For the coursework, you are expected to (i) identify 3 papers related to your chosen core paper; (ii) write a referee report for the core paper; (iii) write about potential future work or gaps in the literature based on the topic of your core paper.
2. Final exam worth 70%. Date: During semester 2 exam diet.

This is a 2-hour written exam. The exam will consist of six questions, from which you are required to answer a total of three. The exam paper will be divided into two parts: the first part will contain three questions based on the instructor’s lectures, and the second part will contain three questions based on the ten core papers presented by students. You are required to answer at least one question from each part (for example, you can answer one question in part one and two questions in part two; alternatively, you can answer two questions in part one and one question in part two).

Note: The lecturer is unable to answer questions such as “Which topics will not be included in the exam questions?” or “Will the Balance of Payments be included in the exam?”.

An overall weighted average mark of 40% is required to pass the module.

It is a requirement for course completion to submit all assessed coursework. Non-submission of any part will result in an overall mark of zero being awarded for the module.

The following forms of feedback will assist you in this module:



## **Artificial Intelligence**

AI tools are not a substitute for human critical thinking, nor can they replace the scholarly, evidence-based reasoning and subject knowledge that are fundamental to your university education.

While you may use generative AI tools (such as ChatGPT, Claude, Bing Chat, or Google Bard) to assist your academic development and support your work in this course, original thought and critical analysis remain essential. Continuously evaluating the accuracy and reliability of AI-generated content is crucial to ensuring these tools serve as helpful supplements to your learning, rather than replacements for your own critical thinking.

## **Reading List**

Please refer to the AG434 Myplace page to access the Reading List.

## **UG Module Manual (Honours)**

Please refer to the accounting and finance UG manual module for the following ([Honours Module Manual.docx](#)):

- Tutorial Attendance
- Useful Contacts
- Penalties for Late Submission
- Feedback
- Compensation Scheme
- Resit Policy – no resits in honours year
- Universal Marking Guide
- Useful Links