

INTERNATIONAL FINANCIAL MANAGEMENT
CLASS CODE: AG434
2019/20 SEMESTER 2

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CLASS 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 In fact, the term local is gradually becoming outdated, arguably replaced by the term *Global*.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 class 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 class 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 OUTCOMES

The following learning outcomes will contribute to your self-analysis and reflection in your Student's Personal Development Planning (SPDP).

1. Subject-specific knowledge and skills:

On completing this subject, students should:

- Appreciate the challenges and opportunities encountered by multinational corporations in a globalized world economy
- Identify factors that influence foreign exchange rates
- Distinguish between different exchange rate systems and the associated currency risks
- Discuss the debates on purchasing power parity puzzle
- Understand the motives for using international financial markets

- Discuss the measurement and management of real exchange rate risk
- Appreciate and evaluate the different asset pricing models of estimating cost of capital in international settings
- Understand the role of key factors to be considered in international capital budgeting and determination of costs of capital
- Analyse the key political and economic risk factors in international business

2. Cognitive abilities and non-subject specific skills

In addition to specific skills, students are also expected to develop the following cognitive, key and transferable skills:

- Competence in interpreting and evaluating international financial problems posed both in quantitative and non-quantitative terms;
- Ability to connect international academic theories to the practice of international financial management;
- Communication and writing skills will also be developed in the assignment project;
- Information technology skills in use of the class web-sites and links, word-processing in assessed projects; and
- Understand the language and observe the practice of international financial management industry by reading relevant academic and practitioner papers.

ASSESSMENT

The criteria used in assessment are set out on the last page of this outline and is the basis of marks achieved on the final examination and coursework. The weighting of the coursework and examination reflects the balance of learning outcomes associated with the different pieces of work.

Late submission of assignments will normally result in a penalty of 15%. Compelling reasons for lateness, such as an illness or bereavement, must be documented and will be submitted to the honours board of examiners who will determine whether the penalty should be applied.

During the course of the semester there will be opportunities for you to assess your own progress in an informal manner (sometimes called 'formative' assessment) and there will be opportunities for you to receive formal assessment of your achievements that contribute to your final mark for the class (this is sometimes called 'summative' assessment). This document includes a pro-forma that will enable you to evaluate your achievement of the learning outcomes associated with this class. You can use this to help guide the emphasis you give to studying the various required components of the class.

Formal (summative) assessment will comprise:

1) **Final written unseen examination paper in the April/May 2020 examination diet** contributing 60% to the final mark. The exam will take 2 hours. The criteria used in assessment are given on page 15 of this class outline.

2) **Course work** (See detail below), contributing 40% to the final mark, is due **no later Monday of week 8, 12 pm**. The coursework will be a group effort with word limit of 1000 per student. Group will be allocated by the Lecturer.

TEACHING AND LEARNING

The subject will be delivered via a weekly 3 hour session and teaching methods will include blend of formal lecturing, analysis of real data, point-counterpoint debates and solving of empirical exercises.

PREREQUISITES

This class is designed for those who have successfully completed all requirements for the pass degree in the School of Business.

PENALTIES FOR LATE SUBMISSION

The Business School follows the University's policy for the late submission of assessed work:

https://www.strath.ac.uk/media/ps/cs/gmap/academicaffairs/policies/Policy_and_Procedure_for_the_Late_Submission_of_Coursework.pdf.pagespeed.ce.dLHAXb3k-D.pdf

FEEDBACK

The standard turnaround time for all feedback and marking within SBS is 15 working days from assessment submission.

The University policy on Assessment and Feedback is available here:

https://www.strath.ac.uk/media/ps/cs/gmap/academicaffairs/policies/Assessment_and_Feedback_Policy.pdf.pagespeed.ce.ugGorsUOnQ.pdf

READINGS

Core reading

1. Madura, Jeff & Fox, Roland, International Financial Management, 2nd edition, Cengage Learning EMEA, 2011. (A more accessible and practical approach)
2. Bekaert, G and Hodrick, R, 2012, 2nd Edition, International Financial Management, Pearson Education (A comprehensive, dense and heavily research focussed text)

There are a number of useful learning resources on the companion website of the Madura and Fox text at: http://www.cengage.co.uk/madura_fox/. The readings required for each lecture are indicated in the detailed class diary on page 7 of this class outline.

Academic papers

See the list on page 9.

Other Textbook References

1. Shapiro, Alan C., *Multinational Financial Management*, 9th Edition (International Student Version), John Wiley & Sons, 2010.
2. Eun, C. S, Resnick, B.G and Sabherwal S, *International Finance: Global edition* (sixth), McGraw-Hill, 2012.
3. Buckley, A., *Financial Crisis: Causes, Context and Consequences*, 1st Edition, Pearson Education, 2011
4. Stiglitz, Joseph E., 2002, *Globalization and Its Discontents*, New York: W.W. Norton and Company

Additional sources of information

1. *Thompson Reuters Datastream* is an extremely rich source of international financial data (currencies, stocks, bonds, macro statistics, etc.). This is available via the Departmental Computing Officer.
2. *International Financial Statistics*, published monthly by The International Monetary Fund, contains much financial and macroeconomic data for IMF member countries.
3. *The Economist's Intelligence Unit* publishes quarterly *Country Reports* and annual *Country Profiles*. These are good, for example, for details on countries' foreign exchange regimes.
4. *Bank for International Settlements: Triennial Central Bank Survey of Foreign Exchange and Derivatives Market Activity*.
5. *The National Bureau of Economic Research (NBER)* produces a working paper series that contains current academic articles on international topics.
6. *Euromoney*, magazine specializing in International Finance.
7. *Financial Times*
8. *Wall Street Journal & Bloomberg*

PLAGIARISM:

In submitting coursework, you are affirming that any and all sentences, graphs, charts, tables etc., **not specifically attributed to another source** are your own creation.

It is essential that you provide **complete citations for all statements or analyses** presented in your literature review **that are derived wholly or in part from the works of others**. To do otherwise is to present, as your own, the ideas, empirical evidence or analysis actually produced by someone else. This includes any materials you find published in source consulted by you, including any and all materials published (posted) on the internet. This specifically includes working papers posted on author(s)' websites, departmental websites, special interest group websites and so forth.

Some students object that this will require a citation of a source after every sentence. This objection has no substance. If a citation is required and you supply it, this is taken as evidence of good scholarship and will be rewarded. If, however, a citation is required and you do not supply it, this will be considered poor scholarship (and points deducted) or plagiarism (the paper will be returned and you will be expected to offer an explanation). If the entire essay is composed of materials copied entirely from sources

found in the course of your research (including materials downloaded from the World Wide Web and presented as if said materials are of your own creation, you will fail this class and place your degree in jeopardy.

It is good record-keeping practice to maintain an evidence file for all written work submitted; this will enable you to support your usage of sources if this is questioned when the work is assessed. Since many students rely on the internet for their searches, you might find it wise to keep records of the path of those searches and the address of any sources downloaded so it can be cited in your references.

GROUP COURSE WORK DESCRIPTION (Group of 6/7)

Theoretical and Empirical Survey of an Assigned Topic/Question

One of the following topics/questions will be assigned to a nominated group and the list of members in each group along with the assigned topic will be posted on myplace.

1. What are the benefits and costs of financial liberalization?
2. What are the determinants of international cost of equity and how they differ in developed and emerging markets?
3. Do absolute and relative Purchasing Power Parities hold in short and long run? If not, why?
4. How do multinationals and portfolio investors manage foreign exchange risks?
5. Is current account deficit a problem: Evidence from the experience of developed and emerging markets?
6. Which exchange rate system is better: Fixed or floating?
7. Is Europe an Optimum Currency Area?
8. Why firms source debt internationally, and, more specifically, whether they exploit deviations from covered and/or uncovered interest rate parity?
9. Why firms issue stocks internationally, particularly using ADRs and GDRs?
10. Why firms use currency derivatives?
11. How country risks affect investments opportunities of MNCs?
12. Are central bank interventions in the foreign exchange market successful?

Your group needs to undertake a survey of the academic literature to evaluate the status of the assigned topic/question. It is very much similar to the literature review you undertook /or are undertaking during the completion of your recent dissertation.

Following is a proposed structure/content of your survey.

1. Introduction

- States the issue/problem/question to be addressed.

- Define all the key concepts here.
- Why is this issue important and for whom.

2. Theoretical literature

Discuss all the theories that have been developed explaining topic/question.

3. Empirical literature

Provide a detailed write-up on empirical literature i.e. what have been investigated so far with detailed findings.

4. Summary and critical analysis

- Summarize your survey and provide a critical analysis of the literature
- Based on the critical analysis what gap/opportunities you have identified for further research.

5. Conclusion

Write about a page or two on the overall conclusion you draw from the survey.

Resources

1. Peer reviewed scholarly journal articles – 75% (From seminal to most recent)
2. Working papers – 25% (Most recent)

Sources/Data bases:

1. ABI/INFORM Complete - From our library website - go to list of database and select ABI/INFORM Complete - for peer reviewed scholarly journal articles.
2. SSRN - Financial Economics Networks - Free on Web – for recent working papers.
3. Google Scholar – Free on Web – for working papers and journal articles.

Searching tips

- Find out as many key words as possible related to your topic.
- Use these key words in the above mentioned search engines using "OR" "AND" combinations.
- Use the reference list of very recent published journals/working papers to find out major studies in your area, i.e. make use of cross-referencing.
- Group words that display similar concepts and characteristics to form strings.
- Use logical combination of these words to form strings.
- Truncate the words such as *integrat** which will capture words like integrated and integration. *Return** will capture return and returns etc.
- Test the databases (ABI/INFORM Complete, SSRN and Google Scholar) using the strings/words and check whether they will come up with similar results
- Systematically document the search results.
- Search for new terms/authors constantly throughout the review process.

Selection criteria of resources

The survey to study the phenomena could only be logical and evidence based if rigor has been applied in the studies and have been judged by a wide audience with specific expertise. As such, please exclude magazine, press articles etc. unless it's a survey, as they lack scientific logic and verification. As such, as far as possible, majority of your readings should include **4-stars and 3-stars (ABS list) journals in Finance, Economics and Business** areas. These should be around 75% of your literature review part. A list of the ratings is uploaded on myplace.

Further, please include the latest papers and the most seminal papers in your review.

A sample guide survey:

Classen, S and Yurtoglu, B. B, "Corporate governance in emerging markets: A survey", *Emerging Markets Review* 15, 1-33.

Word Limit: 500 words per student

LECTURE DIARY (Tuesday, 11am – 2pm)

Week No.	Topic	Textbook readings
1	Globalization	(MF, Ch. 1) and (BH Ch.1)
2	Balance of payment	(MF, Ch. 2) and (BH Ch.4)
3	Exchange rate systems	(MF, Ch. 6) and (BH, Ch. 5)
4	Purchasing power parity	(MF, Ch. 8) and (BH, Ch. 8)
5	Real exchange rate risk	(MF, Ch. 12) and (BH, Ch. 9)
6	<i>Reserve week</i>	
7	International financial markets	Ch 3 (MF) and (BH, Ch. 11, 12)
8*	Cost of capital in international setting	Web chpts. MF (pp. 25-43) and (BH, Ch13)
9	Country risk analysis	Ch 15(MF) and (BH, Ch.14)
10	Capital budgeting in international setting	Ch 14(MF) and (BH, Ch. 15 & 16)
11	Foreign currency hedging decision	BH, Ch. 17

*Coursework due (Monday of week 8, 12 pm). Please email me a soft copy of your course work.

IMPORTANT READINGS: ACADEMIC PAPERS

All *academic papers* (see list below) are available from the University of Strathclyde library *ABI/INFORM Global (ProQuest)*. Note that the above list is not exhaustive and further papers will be referred during the delivery of the course. Students also are expected to undertake their own independent review of literature.

Globalizations

1. The Finance Function in a Global Corporation Mihir A Desai. Harvard Business Review. Boston: Jul/Aug 2008. Vol. 86, Iss. 7,8; p. 108
2. International financial management: 35 years later—what has changed? International Business Review, Volume 13, Issue 2, April 2004, Pages 155-180
3. Corporate focus versus diversification: the role of growth opportunities and cash flow Journal of International Financial Markets, Institutions and Money, Volume 12, Issue 3, July 2002, Pages 231-252 Stephen P. Ferris, Nilanjan Sen, Chee Yeow Lim, Gillian H. H. Yeo
4. Errunza, V. R., 2001. Foreign portfolio equity investments, financial liberalization, and economic development. Review of International Economics. 9, 703-726.
5. Risk and wealth effects of U.S. firm joint venture activity Review of Financial Economics, Volume 15, Issue 3, 2006, Pages 271-285 Karen C. Denning, Heather Hulburt, Stephen P. Ferris
6. Financial market integration and the value of global diversification: Evidence for US acquirers in cross-border mergers and acquisitions Journal of Banking & Finance, Volume 32, Issue 8, August 2008, Pages 1522-1540 Bill B. Francis, Iftekhar Hasan, Xian Sun
7. Mihir A Desai, (Jul/Aug 2008), The Finance Function in a Global Corporation, Harvard Business Review. Boston 86, 7, 108

Balance of Payment

1. Gourinchas, P-O, and Helene, Rey,(2007), “International Financial Adjustment’, Journal of Political Economy 115, pp 665-703
2. Global Imbalances and the Financial Crisis: Products of Common Causes, *Maurice Obstfeld and Kenneth Rogoff*, Paper prepared for the Federal Reserve Bank of San Francisco Asia Economic Policy Conference, Santa Barbara, CA, October 18-20, 2009
(http://www.parisschoolofeconomics.eu/IMG/pdf/BdF-PSE-IMF_paper_OBSTFELD-ROGOFF.pdf)
3. International Monetary Fund (IMF), 1993, Balance of Payment Manual, DC: IMF

Exchange Rate Systems

1. Klein, M.W and Shambaugh, J.C (2008), 'The dynamics of exchange rate regimes: Fixes, Floats and Flips', *Journal of International Economics* 92, PP. 70-92.
2. Obstfeld, M and Shambaugh, J.C, (2005), "The Trilemma in History: Tradeoffs Among Exchange Rates, Monetary Policies and Capital Mobility", *Review of Economics and Statistics* 87, pp. 423-438.
3. Wang, Y (2010), 'Effectiveness of Capital Controls and Sterilizations in China, China and the World Economy 18, pp. 106-124
4. Aizenman, J, Chinn, M.D and Ito, H (2010), 'The emerging financial architecture: Tracing and evaluating the new patterns of the Trilemma's Configurations, *Journal of International Money and Finance* 29, pp. 614-641.
5. Dominguez, K. M. E (2006), 'Why do central bank interventions influence intraday and longer-term exchange rate movements, *Journal of International Money and Finance* 25, 1051-1071.
6. Beine, M, Jerome, L. Sebastien, L. Christopher, J.N, and Franz, C. P, 2007, Central bank intervention and exchange rate volatility, its continuous and jump components, *International journal of Finance and Economics* 12, 201-224.
7. Galati, G. and Wooldridge, P (2009), "The Euro as a Reserve Currency: A Challenge to the Pre-Eminence of the Dollar, *International Journal of Finance and Economics*
8. Neely, C.J.,2008. Central bank authorities: Beliefs about foreign exchange intervention, *Journal of International Money and Finance* 27, 1-25.
9. Menkhoff, L. 2010. High frequency analysis of foreign exchange interventions: What do we learn, *Journal of economic surveys* 24, 85-112.

Purchasing Power Parity

1. Frankel, Jeffrey and Kenneth Froot (1987) Using survey data to test standard propositions regarding exchange rate expectations, *American Economic Review*, 77, 133-153.
2. Parsley, David C., and Shang-Jin Wei, 2007, "A Prism into the PPP Puzzles: The Micro-Foundations of Big Mac Real Exchange Rates," *The Economic Journal* 117, pp. 1336-1356.
3. Taylor, A and Taylor, M, (2004), "The purchasing power parity debate." *Journal of Economic Perspective* 18, 135-158.
4. Broda, Christian, and David, E. Weinstein, 2008 "Understanding International Prices Differences Using Barcode Data," National Bureau of Economic Research Working Paper No. 14017
5. Haque, M. A. (2003), Purchasing power parity: A comparative study of industrialized countries and selected developing countries, *Journal of Global Business*, 14 27,, Fall 2003

Measuring and managing real exchange rate (economic) risks

1. Alder, M and Dumas, B (1984), "Exposure to currency risks: Definition and Measurement, *Financial Management* 13, 2, 41-50.
2. Goldberg, P K, and Michael, M.K (1997), 'Goods Prices and Exchange Rates: What have we learned?', *Journal of Economic Literature* 35, pp. 1234-1272.
3. Markus Eller, Peter Haiss, Katharina Steine What lies beneath: Foreign exchange rate exposure, hedging and cash flows *Journal of Banking & Finance*, Volume 32, Issue 8, August 2008, Pages 1508-1521
4. Foreign exchange risk management in UK, USA and Asia Pacific multinational companies. Andrew P. Marshall *Journal of Multinational Financial Management* Volume 10, Issue 2, June 2000, Pages 185-211
5. Allayannis, G. and Eli, O, 2001. Exchange rate exposure, Hedging and use of currency derivatives, *Journal of International Money and Finance* 20, 273-296.
6. Allayannis, G. and James, P. W, 2001, "The use of foreign currency derivatives and firm market value, *Review of Financial Studies* 14, 243-276.
7. Bartram, S. M. Gregory, W.B, and Frank, R.F, 2009, International evidence on financial derivatives usage, *Financial Management* 38, pp. 185-206.
8. Bartram, S. M., Gregory, W.B, and Bernadetta A. M. 2010, Resolving the Exposure Puzzle: The many facets of exchange rate exposure", *Journal of Financial Economics* 95, 148-173.
9. Brown, Gregory W., 2001, Managing foreign exchange risk with derivatives, *Journal of Financial Economics* 60, 401-448.
10. Geczy, C, Bernadette, A. Minton and Catherine, S. 1997, Why Firms use currency derivatives, *Journal of Finance* 52, 1323-1354.
11. Smith, C. W. and Rene, S, 1985, The determinants of firm's hedging policies, *Journal of Financial and Quantitative Analysis* 20, 391-405
12. Graham J. R and Daniel, A. R, 2002, Do firms hedge in response to tax incentives, *Journal of Finance* 57, 815-839
13. Lewent, J. C. and John K, Winter 1990. Identifying, Measuring and Hedging Currency Risk at Merck, *Journal of Applied Corporate Finance*, 19-28.
14. Nance, D. R., Clifford W. S and Charles, W. S., 1993, On the determinants of corporate hedging, *Journal of Finance* 48, 267-284.

International Financial Markets

1. Michael, H, Pagano, M, Randl, O and Zechner, J, 2008, Where is the market? Evidence from Cross-listing in the U.S., *Review of Financial Studies* 21, pp. 724-761.
2. Tawatnuntachai, O & Yaman, D.(2008), Why do firms issue global bonds? *Managerial Finance*, 34, pp. 23.
3. Why do firms issue global bonds? Oranee Tawatnuntachai, Devrim Yaman. *Managerial Finance*. Patrinton: 2008. Vol. 34, Iss. 1; p. 23.

Cost of capital in international setting

1. Lessard, D. R. (1996), 'Incorporating country risk in the valuation of offshore projects', *Journal of Applied Corporate Finance*, 9, 3, 52-63
2. Godfrey, S. and Expionosa, R. (1996), 'A practical approach to calculating costs of equity for investment in emerging markets', *Journal of Applied Corporate Finance*, 9,3, 80-89,
3. Jacque, L. and Hawawanini, G. (1993), 'Myths and realities of the global capital market: lessons for financial managers', *Journal of Applied Corporate Finance*, 6,3, 81-90
4. Equity Risk Premiums (ERP): Determinants, Estimation and Implications – The 2012 Edition (http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2027211)
5. International Home Bias in International Finance and Business Cycles", *Journal of Economic Literature* 37, June 1999, 571-608.
6. Dumas, B and B. Solnik, "The world price of foreign exchange risk", *Journal of Finance*, 1995, Vol 50 (2) p 445-79.
7. Stulz, R, (1985) "Pricing capital assets in an international setting: An introduction", *Journal of International Business Studies* 16, 55-74
8. R, Mehra, (2003) "The equity premium: Why is it a puzzle?", *Financial Analyst Journal*, 54-69.
9. Lau, S. T, Lilian, Ng, and Bohui, Z, (2010) "The world price of home bias", *Journal of Financial Economics* 2010, 191-217.
10. Bekaert, G, Harvey, C. R, Lundbald, C. T and Siegal, S (2014), Political Risk Spread, *Journal of International Business Studies* 45, 471-493.
11. <http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=937>

Country risk

1. Damodaran, Aswath, (2003), "Country risk and company exposure: Theory and practice," *Journal of Applied Finance* 13, 63-76
2. Bekaert, G, Harvey, C. R, Lundbald, C. T and Siegal, S (2014), Political Risk Spread, *Journal of International Business Studies* 45, 471-493.
3. Brewer, T. L. 1983. The instability of governments and the instability of controls on funds transfers by multinational enterprises: Implications for political risk analysis. *Journal of International Business Studies*, 14(3): 147–157.
4. Brewer, T. L. 1993. Government policies, market imperfections, and foreign direct investment. *Journal of International Business Studies*, 24(1): 101–120.
5. Butler, K. C., & Joaquin, D. C. 1998. A note on political risk and the required return on foreign direct investment. *Journal of International Business Studies*, 29(3): 599–607.
6. Citron, J.-T., & Nickelsburg, G. 1987. Country risk and political instability. *Journal of Development Economics*, 25(2): 385–392.
7. Click, R. W. 2005. Financial and political risks in US direct foreign investment. *Journal of International Business Studies*, 36(5): 559–575.

8. Cosset, J.-C., & Roy, J. 1991. The determinants of country risk. *Journal of International Business Studies*, 22(1): 135–142.
9. Feinberg, S. E., & Gupta, A. K. 2009. MNC subsidiaries and country risk: Internalization as a safeguard against weak external institutions. *Academy of Management Journal*, 52(2): 381–399.
10. Uhlenbruck, K., Rodriguez, P., Doh, J., & Eden, L. 2006. The impact of corruption on entry strategy: Evidence from telecommunication projects in emerging economies. *Organization Science*, 17(3): 402–414.
11. Wei, S.-J. 2000. How taxing is corruption on international investors? *Review of Economics and Statistics*, 82(1): 1–11.
12. Henisz, W. J., & Zelner, B. A. 2010. The hidden risks in emerging markets. *Harvard Business Review*, 88(4): 88–95.

International capital budgeting

1. Foreign direct investment in the financial sector and economic growth in Central and Eastern Europe: The crucial role of the efficiency channel *Emerging Markets Review*, Volume 7, Issue 4, December 2006, Pages 300-319
2. Does corporate international diversification destroy value? Evidence from cross-border mergers and acquisitions *Journal of Banking & Finance*, In Press, Corrected Proof, Available online 19 July 2008 Marcelo B. Dos Santos, Vihang R. Errunza, Darius P. Miller
3. Holland, J (1990), “Capital budgeting for international business: A framework for analysis,” *Managerial Finance* 16, 1-16.
4. Bekaert, G, Harvey, C. R, Lundbald, C. T and Siegal, S (2014), Political Risk Spread, *Journal of International Business Studies* 45, 471-493.
5. Graham, J. R., & Harvey, C. R. 2001. The theory and practice of corporate finance: Evidence from the field. *Journal of Financial Economics*, 60(2–3): 187–243.
6. Sethi, D., Guisinger, S. E., Phelan, S. E., & Berg, D. M. 2003. Trends in foreign direct investment flows: A theoretical and empirical analysis. *Journal of International Business Studies*, 34(4): 315–326.
7. Holmen, M., & Pramborg, B. 2009. Capital budgeting and political risk: Empirical evidence. *Journal of International Financial Management and Accounting*, 20(2): 105–134.
8. Lessard, D.R. 1996. Incorporating country risk in the valuation of offshore projects. *Journal of Applied Corporate Finance*, 9(3):52–63.

Risk management and foreign currency hedging decision

1. Allayannis, G. and Eli, O, 2001. Exchange rate exposure, Hedging and use of currency derivatives, *Journal of International Money and Finance* 20, 273-296.
2. Allayannis, G. and James, P. W, 2001, “The use of foreign currency derivatives and firm market value, *Review of Financial Studies* 14, 243-276.
3. Bartram, S. M. Gregory, W.B, and Frank, R.F, 2009, International evidence on financial derivatives usage, *Financial Management* 38, pp. 185-206.

4. Bartram, S. M., Gregory, W.B, and Bernadetta A. M. 2010, Resolving the Exposure Puzzle: The many facets of exchange rate exposure”, *Journal of Financial Economics* 95, 148-173.
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6. Geczy, C, Bernadette, A. Minton and Catherine, S. 1997, Why Firms use currency derivatives, *Journal of Finance* 52, 1323-1354.
7. Smith, C. W. and Rene, S, 1985, The determinants of firm’s hedging policies, *Journal of Financial and Quantitative Analysis* 20, 391-405
8. Graham J. R and Daniel, A. R, 2002, Do firms hedge in response to tax incentives, *Journal of Finance* 57, 815-839
9. Lewent, J. C. and John K, Winter 1990. Identifying, Measuring and Hedging Currency Risk at Merck, *Journal of Applied Corporate Finance*, 19-28.
10. Nance, D. R., Clifford W. S and Charles, W. S., 1993, On the determinants of corporate hedging, *Journal of Finance* 48, 267-284

Criteria used in Assessment

	First class (70+)	Upper second (69-60)	Lower second (59-50)	Third (40-49)	Fail (below 40)
Overall	Demonstration of excellent understanding of subject; work includes a clear plan of exposition, relevant examples and demonstrates a clear (not necessarily original) synthesis of required readings with evidence of independent research.	Demonstration of comprehensively good , understanding of subject; work includes a clear plan of exposition, relevant examples and demonstrates a synthesis, of most of the required readings	Demonstration of generally good understanding ; work shows some balance but not well planned; it includes some relevant examples. At least partial synthesis of required readings is demonstrated.	Demonstration of learning outcomes is satisfactory. Work demonstrates a somewhat superficial understanding, is poorly organised and with limited synthesis limited to a small number of required readings.	Poor performance in learning outcomes. Work is poorly structured and is quite superficial. Examples show no evidence of selection for relevance. No evidence of synthesis.
Quality of Analysis	High quality of conceptual understanding Logical formulation of interpretation of meaning	Good standard of analysis, focusing on the nature of the question and the balance of evidence presented to support the argument	Shows analytical skill but with some gaps in critical evaluation	Analytical skill is limited and heavily derived from the work of others.	No analytical skill shown.
Subject Specific Learning Outcomes	Excellent understanding of concepts. Comprehensive use of all required readings and independent research.	Very Good understanding of concepts. Thorough use of all required readings and some use of suggested readings	Good understanding of concepts and issues arising. Most of the required readings are referenced.	Basic understanding of concepts and issues arising, some stronger than others. Reference to some of the required readings.	Limited understanding of concepts. Little or no reference to required readings.
Cognitive Skills Learning outcomes:	Candidate's own opinion is well developed and logically argued, demonstrating skill in linking all class readings to her interpretation.	Candidate's own opinion is logically argued, demonstrating skill in linking her conclusions to all class readings	Candidate's opinion is logically argued, however, relies on a limited subset of required readings.	Independent thought limited and limited ability to develop implications and inferences from evidence.	No evidence of ability to form an independent interpretation of materials.