APPROVED:
Dean, Faculty for International Students
_________________ A.B.Bedny
«___»__________20___ г.

Work program of the course

**International Finance**

Area of Studies
**38.04.02. Management**

Profile of training with instruction in English
**Economics and Management of Financial Institutions**

Qualification (degree) of graduates
**Master**

Form of training
**full-time**

Nizhny Novgorod
2015
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1. Learning goals and objectives for the course

The course International Finance covers foreign exchange market operations, the structure of the world currency system, foreign exchange financial instruments, Financial Management of the Multinational Firm and the balance of payments policy and modelling. During the course both the mechanism of the developed currency markets, and features of emerging currency markets are considered. International financial system is viewed as complex mechanism of interactions between individuals, international companies, international banks and government bodies. In particular, operations of currency dealers are studied. As this course is intended mostly for international students, basic knowledge about problems of the Russian economy, ruble exchange rate tendencies and structure of the Russian financial market are represented in a friendly form for foreign students.

The purpose of the course International Finance is to give the students a general idea regarding the foreign exchange market and quantitative methods and models applied in this area.

The objectives of the course International Finance are:

1. To study such concepts as Foreign Exchange Market, Spot Exchange Rates, Exchange Rate System, the balance of payments, the current account, the capital account, Purchasing Power Parity.
2. To receive the general idea about structure of the foreign exchange market and interests of its participants (currency dealers, international companies, government bodies).
3. To determine the role of the government in exchange rate regulations.
4. To study history about international monetary agreements.
5. To make economic models of the balance of trade and to use it in different exchange rate systems.
6. To practice opened foreign exchange positions hedging using such financial instruments as currency forwards, currency swaps, currency futures and currency options.
7. To study financial management of the international firm and, in particular, tax optimization technics.
8. To reach the general idea of the Offshore Banking, Libor Interest Rate Spread, International Banking Facilities.
9. To do optimal choices in international portfolio management and direct international investments.
10. To understand Purchasing Power Parity concept.
11. To use forecasting technics during foreign exchange trading.

As a whole, after studying the course International Finance, students have to create scientific views and ability to apply the acquired knowledge to the solution of specific practical objectives, become engaged in work performed by international banks and international companies, stock exchanges, government bodies and other professional participants of the foreign exchange market.
2. Place of the course in the structure of the general educational program

The course International Finance belongs to variable part of a professional cycle in structure of the main educational program (MEP) of a master degree of Federal state educational standards of higher education (FSES HE) in the direction 38.06.02 - Management, program Economy and Management of Financial Institutions.

The course International Finance is a prerequisite for such courses as International Economics, Investments and Economic Analysis. It is provided upon the basis that students have knowledge in the field of microeconomics, macroeconomics and basic computer knowledge.

3. Requirements for the learning results of the course. Student’s competences to be formed as a result of the learning of the course material

In the course International Finance students acquire special economic knowledge from area of the foreign exchange market and financial instruments used there, managing international company liquidity and currency risks, government policy issues regarding balance of trade and exchange rate system choice.

In the framework of this course, the following professional competencies are formed:

| PC-6 | the ability to use methods of economic analysis of the behavior of economic agents and markets in the global environment |
| PC-9 | research work the ability to summarize and critically evaluate the results obtained by domestic and foreign researchers, to identify and formulate relevant scientific problems |

4. The structure and content of the course

4.1. Structure of the course

The overall workload of the course is 3 credits, 108 hours.

<table>
<thead>
<tr>
<th>Name of the course</th>
<th>Semester</th>
<th>Workload (hours)</th>
<th>Type of final certification</th>
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</thead>
<tbody>
<tr>
<td>International Finance</td>
<td>2</td>
<td>Total 108</td>
<td>Total classroom 32</td>
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</tbody>
</table>
4.2. Content of the course

The course International Finance consists of four main sections: The International Monetary Environment, International Parity Conditions, Risk and International Capital Flows and Modeling the Exchange Rate and Balance of Payments.

SECTION 1: THE INTERNATIONAL MONETARY ENVIRONMENT

Subject 1. The Foreign Exchange Market (4 hours).


Subject 2. International Monetary Arrangements (4 hours).


Subject 3. The Balance of Payments (2 hours).

Definitions: the balance of payments, the current account, the capital account. The Current Account Profit and Deficit. The balance of payments transactions classification. Balance of Payments Equilibrium and Adjustment. The Russian Foreign Debt. The foreign Debt of other countries.

SECTION 2: INTERNATIONAL PARITY CONDITIONS

Subject 4. Forward-looking Market Instruments (2 hours).


Subject 5. The Eurocurrency Market (2 hours).


Subject 6. Exchange Rates, Interest Rates, and Interest Parity (2 hours).


Subject 7. Prices and Exchange Rates: Purchasing Power Parity (2 hours).

SECTION 3: RISK AND INTERNATIONAL CAPITAL FLOWS

Subject 8. Foreign Exchange Risk and Forecasting (2 hours).


Subject 10. International Portfolio Investment (2 hours).


Subject 11. Direct Foreign Investment and International Lending (2 hours).


SECTION 4: MODELING THE EXCHANGE RATE AND BALANCE OF PAYMENTS

Subject 12. Determinants of the Balance of Trade (2 hours).


Subject 13. The IS-LM-BP Approach (2 hours).


Subject 14. International financial organizations (2 hours).

5. Educational technologies

During lectures and seminars discussions of actual problems in the field of foreign exchange markets, changes of current legislation, economic measures taken by the government and the main tendencies in the global economy are carried out.

In seminars students perform presentations based on leading scientist’s publications in peer-reviewed journals of financial and economic subject. Students who are employed in financial sector have an opportunity to tell about the professional skills during seminar lessons.

Student’s practical skills are developed during trading using demo accounts on the foreign exchange market, solution of tasks regarding financial management of the international firm by means of financial calculations using electronic spreadsheets.

During a semester students are given an opportunity to prepare scientific work on actual problems of the foreign exchange market, to present the results at student’s scientific conferences and to publish the theses of their reports in conference proceedings.

6. Methodological support for students' self-organized work. Evaluation tools for monitoring students’ current progress and for interim assessment based on the learning of the course material

During self-organized work students are recommended to use the main and additional literature listed in work program of the course below, statistical data from such entities as The Central Bank of Russian Federation, The International Monetary Fund, The Federal Reserve Bank of the USA, The World Bank Group, and other international statistical research. During a lectures and seminars students study foreign exchange market legislature, government reports, statistical data about international trade and balance of payments of the different countries. Besides traditional sources of information, students widely apply modern Internet resources: sites of international financial organizations, investment companies, government bodies, legal databases, financial reports databases and so forth, and also financial analytical and information sites.

Students are offered to prepare presentations covering additional topics from the main sections of the course. The library of The Nizhny Novgorod State University has wide range of printed books in Russian language suitable for the course International Finance. Besides, the library has a subscription to the Science Direct database from which students of The Nizhny Novgorod State University can download up to date articles in English from scientific peer-review journals on the course subject.

Students of The Nizhny Novgorod State University are also eligible to use Russian scientific peer-review journals from the database E-Library for which the university’s library has a subscription. There are some international and internal government bodies delivering free of charge international and currency statistical data on regular basis, e.g. The International Monetary Fund, The World Bank, The Central Bank of Russian Federation and others.
6.1. Topics for self-organized work

1. Solving exercises on spot exchange rates (4 hours).
2. Solving exercises on forward exchange rates (4 hours).
3. Solving exercises on swap exchange rates (4 hours).
4. Solving exercises on currency options and futures (10 hours).
5. Solving exercises on Purchasing Power Parity (4 hours).
6. Resolving case study on government balance of trade policy (10 hours).
7. Resolving case study on government choice of exchange rate system (10 hours).
8. Preparing to seminars on topic “International Monetary Arrangements” (6 hours).
9. Preparing to seminars on topic “The Balance of Payments” (5 hours).
10. Preparing to seminars on topic “Forward-looking Market Instruments” (5 hours).
11. Preparing to seminars on topic “The Eurocurrency Market” (5 hours).
12. Preparing to seminars on topic “Foreign Exchange Risk and Forecasting” (5 hours).

Student’s presentations are carried out in an oral form and shouldn't exceed 5-7 minutes. Students can use a TV projector for evident representation of a material.

6.2. Evaluation tools for monitoring students’ current progress

Monitoring students’ current progress is carried out two times in the semester, after 1 and 2 months of study respectively. Students are offered to choose write answer on several test questions and to solve in writing some exercises regarding exchange rate calculations, hedging foreign exchange risks and other topics covered by the course. To pass the tests students have to do correctly 65% of all exercises.

Final control of student’s performance is carried out in the form of a test. Each test exercise contains two theoretical questions from the list below which should be orally answered by student after preparation in the classroom for not longer than 30 minutes. During the test students are not allowed to use any information sources, including Internet.

For the admission to the final test students of full-time tuition have to visit not less than 40% of classroom lessons, and both lecture, and seminar, they have to pass both current progress tests too.

To pass the final test student must develop generally understanding of the theoretical content of the course, create necessary practical skills of work with the mastered material, perform the majority of educational tasks provided by the program, eventually some of the performed tasks may contain mistakes.

Students will fail the test if the theoretical content of the discipline isn't mastered, necessary practical skills of work aren't created, all performed educational exercises contain gross mistakes.

6.3. Test questions

2. Currency Arbitrage.
3. Short-term Foreign Exchange Rate Movements.
4. Long-term Foreign Exchange Movements.
5. Trade-weighted Exchange Rate Indexes.
6. Russian foreign exchange market.

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11. Exchange rate systems classification.
12. The balance of payments, the current account, the capital account.
16. Russian foreign debt. The foreign Debt of the other counties.
17. Currency forward rates.
18. Foreign exchange swap. The currency swaps.
19. Foreign exchange futures.
20. Foreign exchange options.
23. Libor Interest Rate Spreads and Risk.
25. Expected Exchange Rates and the Term Structure of Interest Rates.
30. Foreign Exchange Forecasting.
31. Financial Control and Cash Management of the Multinational Firm
32. Letters of Credit.
33. Intraﬁrm Transfers and Capital Budgeting of the Multinational Firm.
34. Portfolio Diversiﬁcation. The Globalization of Equity Markets.
35. Direct Foreign Investment.
37. International Lending. IMF Conditionality.
38. Country Risk Analysis.
41. Absorption Approach to the Balance of Trade.
42. The IS-LM-BP approach: the IS (Investment Saving) curve.
44. The IS-LM-BP approach: the BP (balance of payment) curve.
45. The IS-LM-BP approach: Monetary Policy under Fixed Exchange Rates.
47. The IS-LM-BP approach: Monetary Policy under Floating Exchange Rates.
49. International Financial organizations: International Monetary Fund.
6.4. Assessment criteria

Breakdown of grades:
Classwork/Homework (Participation): 40%
Midterm Talk : 15 %
Final Talk (Presentation Project): 20%
Attendance: 25%

Current progress tests
To pass current progress tests student must achieve results shown in table

<table>
<thead>
<tr>
<th>Assessment criteria for current progress</th>
<th>A-D</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pass</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fail</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Grading scale
A = 94 – 100
A- = 90 - 93
B + = 88 – 89
B = 84 – 87
B- = 80 - 83
C+ = 78 – 79
C = 74 – 77
C- = 70 - 73
D+ = 68 - 69
D = 64 – 67
F = 60 – 63
F- = 59 or less.

Final test
Final test is carried out in oral form and has two grades: Pass and Fail.

"Pass" - the student has the minimum knowledge required of the material in the given subject, with a number of errors, can solve main problems, the competences (parts of competences) relating to the subject are at the minimum level required to achieve the main learning objectives.

"Fail" - the knowledge of the material is insufficient, additional training is required, the competences (parts of competences) relating to the subject are at a level that is insufficient to achieve the main learning objectives.

7. Methodological and information support for the course

7.1. Main literature

7.2. Additional literature


7.3. Software and Internet resources


7.4. Logistical support of the course

Lectures using multimedia technologies will be presented in classrooms _____ equipped with an overhead projector and a screen (UNN Building 2). For lessons on foreign exchange trading it will be used a computer class with Internet connection and free of charge trading software installed on computers.

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Head of the Finance and Credit department ________, prof., Dr.Econ.Sci., N. I. Yashina.

The program is approved by the methodological commission of the Faculty for International Students

Minutes of the meeting No. ____ dated ____________

Chairman of the methodological commission of the Faculty for International Students