



COURSE INFORMATION

A: Division: **INSTRUCTIONAL** Date: **MARCH 1996**
 B: Department: **COMMERCE AND BUSINESS ADMINISTRATION** New Course: **X**
 Program: **INTERNATIONAL BUSINESS STUDIES** Revision of Course Information form:
 C: **FINC 405** D: **FOREIGN EXCHANGE MANAGEMENT** E: **3**

Subject & Course No.

Descriptive Title

Semester Credit

F: **Calendar Description:** This course addresses the problems faced by small business firms in handling foreign exchange (FX) transactions. The first part of the course examines the working of FX markets and the settlement systems used by small companies. The second section of the course investigates how exchange rates are determined and if changes in the exchange rate can be predicted. The third part of the course studies why firms position against exchange risk and how to measure exposure to exchange rates. In the fourth section of the course, we examine the valuation of international products, and the financial risk faced with delays in foreign exchange settlements.

Summary of Revisions:

G: **Type of instruction: Hrs per week**

Lecture:	3	Hrs.
Laboratory:		Hrs.
Seminar:	1	Hrs.
Clinical Experience:		Hrs.
Field Experience:		Hrs.
Practicum:		Hrs.
Shop:		Hrs.
Studio:		Hrs.
Student Directed Learning:		Hrs.
Other (Specify):		Hrs.
Total:	4	Hrs.

H: **Course Prerequisites:**
BUSN 400 and BUSN 403 and BUSN 404 and FINC 305 and FINC 340

I: **Course Corequisites:**
 nil

J: **Course for which this Course is a Prerequisite:**
BUSN 400 and BUSN 401

K: **Maximum Class Size:**
35

L: **College Credit Transfer** **X**
College Credit Non-Transfer
Non-Credit

M: **Transfer Credit:** Requested: **X**
 Granted:

Specify Course Equivalents or Unassigned Credit as appropriate:

BCOU
 SFU **BUS 427 (3) or BUS 418 (3)**
 UBC **COMM 478 (3)**
 UNBC **COMM 315 (3)**
 UVIC **IB 403 (1.5)**
 Other:

Course Designer(s) _____
 Director/Chairperson _____

Approved per J. M. Gaudy
 Divisional Dean
 Registrar

N: TEXTBOOKS AND MATERIALS TO BE PURCHASED BY STUDENTS

Mishkin, Frederic S. Financial Markets, Institutions, and Money, Latest Ed. South-Western Publishing.

Jain, Arvind K. International Financial Markets and Institutions, Latest Ed. Miami: Kolb Publishing.

O: COURSE OBJECTIVES

The student will be able to:

1. identify foreign exchange risk management and the techniques available to small business operators for risk exposure containment;
2. analyze alternative currency translation methods for settlement of goods;
3. examine the organization of the Foreign Exchange Market, the Spot Market, and the Forward Market, and how the information driven in these markets can be used by small business operators in controlling and managing foreign exchange;
4. be able to identify operational difficulties in financing, and settling in foreign currency, and currency forecasting;
5. evaluate the intercompany funds-flow mechanisms, cost and benefits, pertaining to all foreign sales and settlements;
6. explain foreign exchange units in financial intermediaries;
7. describe operational benefits of Electronic Data Interchange (EDI), Letters of Credit (LC) and other exchange mechanisms, in settling foreign accounts.

P: COURSE CONTENT

1. Foreign Exchange Risk Management
 - . Measuring foreign exchange (FX) risk and exposure for small business operators
 - . Managing FX risk
 - . Foreign currency risk and its impact on internal operations
2. Foreign Exchange Market
 - . Organization, mechanism of Foreign Exchange Market
 - . The Spot Market
 - . The Forward Market

3. Measuring Exchange Risk in Foreign Settlements

- . Operational and financial tools for measuring, containing, and settling of FX transactions
- . Equity investing and participation
- . Optimal international asset allocation, and product pricing strategies

4. International Banking, Settlement Trends and Strategies

- . Banking activities, settlement and payment vehicles and procedures
- . Euromarket international banking activities

5. Designing an Optimal, Risk-Free (FX) Global Financial Strategies

- . Minimizing expected after-tax FX costs
- . Reducing operational FX risks
- . Country risk financial analysis and predictive models
- . FX risk preventive strategies

Q: METHOD OF INSTRUCTION

Lectures, seminars, case studies.

R: COURSE EVALUATION

Class participation	10%
Presentation of case	15%
In-class quizzes	15%
Cases (5-10)	30%
Final examination	<u>30%</u>
	<u>100%</u>

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