



GEORGETOWN UNIVERSITY  
*McDonough School of Business*

## **International Financial Management**

### **Professor:**

#### **Rohan Williamson,**

Telephone: (202) 687 - 2284.

E-mail: williarg@msb.edu

Professor Williamson has been a member of the Georgetown University McDonough School of Business since 1997. He specializes in international finance, corporate finance and risk management/hedging. He is currently conducting research in the areas of corporate investment decisions and governance, foreign exchange rate exposure and the determinants of firms' cash holdings. He teaches international finance and advanced corporate finance, and has written articles for both academic and practitioner publications. He holds a Ph.D. in Finance from the Ohio State University, a MA in Finance from the Ohio State University, an MBA from Clark-Atlanta University along with a B.S. in Mechanical Engineering from the University of Dayton. Professor Williamson was formerly a financial analyst at Chrysler Corporation.

### **COURSE DESCRIPTION**

This course extends the principles of financial management to the international context. This course evaluates the effect of currency changes on the competitive position of firms within a particular industry. Also, we will analyze the effect of the changes in currency value on the value of the firm and how to incorporate changes in exchange rates in valuing a firm and investments. Additionally, we will explore international risk management principles and look at the long-term risk management strategies that a firm can implement in order to minimize these effects along with international capital structure issues and implications. We will also discuss the necessity for a firm to engage in a risk management and global financing strategies and the value of these practices to the firm and the international investor. We will use case studies to get a practical application of these concepts. Finally, we will address some of the current topics in international corporate governance by evaluating the role of the stakeholders and firm monitoring in the various governance systems. We will try to minimize the quantitative nature of the class but some quantitative work is unavoidable.

### **Readings**

Text: International Money and Finance 7e, 2004, Addison Wesley, By Michael Melvin.  
Various Readings and Cases

### **SYLLABUS**

#### **Topic 1: The International Financial Environment and Basics**

We will first do an introduction to financial management and its implications for the global corporation. This will include a review of basic foundation of financial management including time value of money and its implications for capital budgeting and valuation. Also, we will examine the main financial

management issues that should be of major concern to firms in the global economy. We will review the types of exchange rate exposure and the importance to the international firm. This includes the importance to financial analysis and firm value. The introduction will also include an overview of the foreign exchange markets. We will conceptually discuss risk and exposure. *Text Readings: Chapter 1*

### **Topic 2: Exchange Rates, Exposures and Cross Border Valuation**

We will discuss the determination of exchange rates and its importance to the international firm. We will also discuss valuation techniques and the issues that are of particular importance to cross border valuation. Then, in order to determine the effect of exchange rate changes on the value of a firm we will evaluate the techniques for quantifying exchange rate exposure. We will use a case study to evaluate the effect of exchange rate changes on an international firm. Also, we will discuss the state of risk management by corporations and where it is likely to go. *Text Readings: Chapter 2, 4, 5 and 8.*

### **Topic 3: Cross Border Investment and Exchange Rate Forecasting**

We will review cross border valuation in more detail. This includes the determination of the proper discount rate and how to incorporate the riskiness of cash flows due to exchange rate changes. We will conclude this topic an analysis of a cross border acquisition. *Text Readings: Chapter 6 and 10.*

### **Topic 4: Financing the Global Firm**

We will discuss the various financing alternatives available to a global firm. This includes the effect of the global marketplace on the firm's capital structure and the cost of capital. We will evaluate the financing techniques available to a firm and the use of these techniques as a hedging tool. *Text Readings: Chapter 7, 12 and 13.*

### **Topic 5: Corporate Governance and Review**

Corporate governance is a very important aspect of managing corporations and will become even more important as markets become more integrated, governments privatize national firms, and the level of cross border acquisitions continues to increase as we have seen over the past few years. Therefore, a discussion of the main types of corporate governance systems in place will be addressed with the advantages and disadvantages of each. We will also introduce the latest research in this area and discuss the importance to the multinational firm of a countries protection of investor rights, financial development and country risk. Finally we will conclude with a review of the topics covered in this course.