



جامعة دبي
UNIVERSITY of DUBAI

COLLEGE OF BUSINESS ADMINISTRATION

MBA Course Syllabus

Semester:

Course code & No.: MFA 705

Course Title: International Corporate Finance

Prerequisites: MBA 645

Faculty Member:

Contact Details: Email:; Phone:

Class Hours: Time: Days: Room:

Office Hours: Time: Days: Room:

Brief Course Description: (As in UD Catalog)

The course examines 2 fundamentals decisions of multinational firms - the investment & the financing decisions. Topics discussed include risk management, valuation of foreign investments, cross-border M & A, financial distress and restructurings, corporate governance practices and project finance. This course greatly facilitates CFA exam takers.

This course assesses the following MBA MFA program concentration objectives (MBA MFA PCO): At the end of this program, students should be able to:

MBA MFA PCO	*Objectives	Linked to MBA PO
1	Apply accounting and finance theories for analyzing business operations in these areas in the UAE.	5
2	Assess the usefulness of existing accounting and finance decision making tools and the potential for improving these tools in businesses in the UAE.	5
3	Use knowledge and skills developed to add value to the firms in the UAE/MENA region.	5

Course Objective (CO): Upon completion of this course, students should be able to:

1. Evaluate investment proposals and make critical investment decisions.
2. Analyze financing choices and determine the best financing alternatives.

Course Learning Outcomes (CLO):

Upon completion of this course, students should be able to demonstrate the following outcomes:

1. Implement investment plan for an international Company in UAE/GCC/MENA.
2. Implement financing plan for an international Company in UAE/GCC/MENA.
3. Understand and implement alternative measures to mitigate financial risks related to an international company.

Blooms Taxonomy

(The following levels of Bloom's taxonomy have been used while developing the above CLO)

Bloom's level	3.Application (AP)	4. Analysis (AN)	5. Synthesis (S)	6.Evaluation (E)
CLO #	-	-	1,2	1,2

CLO Mapping: This table maps CLO's to: CO

CLO	Linked to CO	Linked to PCO	Linked to PO
1	1	1	5
2	2	2	5
3	2	3	5

CLO Assessment Scheme

CLO	Class Work (marks)		Final Exam (marks) 30%
	Case Assignment 35%	Group Project 35%	
1	12		15
2	13		15
3		25	
Presentation	10	10	
Total	35	35	30

Each MBA course is assessed by a combination of class work (assignments/ quizzes, group work, simulations), and an examination. Class work constitutes 70% of the course grade and one examination at the end constitutes 30% of the course grade. Each course grade is distributed as under:

% Marks	Grade	Quality Points
➤ 95	A	4.0
90-94	A-	3.7
87-89	B+	3.5
83-86	B	3.0
80-82	B-	2.7
Below 80	F (Fail)	0

Case Assignment

The instructor will assign a set of 3 cases from different sources with adaptation to the local environment of UAE. These cases will be used as part of group assignments. At least one group assignment will require class presentation. Each individual case will deal with a management problem that is designed to reflect the characteristics of the local environment (UAE/GCC). Each case will require data analysis, interpretation, and recommendations to management. Each student is expected to spend about 105 hour's out-of-class time on readings, cases, and problem solving as follows:

Out-of-Class Time

Assignments and Cases	Approximate Out-of-Class Time
Case # 1 (Individual assignment)	8 hours
Case # 2 (Individual assignment)	8 hours
Case # 3 (Group assignment)	15 hours
Problem Solving	25 hours
Preparation for Presentation	10 hours
Readings (textbook, journal articles and supplemental readings)	40 hours

Teaching Methods:

Teaching methods used in this course are Interactive learning, lectures, Case studies, & Solving Analytical Problems using financial calculator.

Use of Modern Instructional Technology: Moodle Learning Systems

Group Project: related to UAE/GCC

1) A case study of cross-border transaction (in progress of one that has already taken place)

- should include facts of a case
- Analyze transaction
- Make recommendation for dealing with the Company's problems & structure the transaction

2) A financial analyst report on an international Co. content same as in presentation follows the format seen in a typical wall street analyst report

- Students analyze the source of the Co's problems
- Make a buy, or sell recommendation to their clients (backing this recommendation with hard analysis)
- Critically evaluate action the Company has taken to address its Problem
- Prepare possible alternative actions the Company could take

3) An investment proposal

Investing (long or short) in a particular Company a set of companies based on

- Fundamental analyses of the firms' situation
- Describe various risk involved with your strategy
- Provide specific estimate of future investment returns

Weekly/Daily Teaching Plan				
Day Week	Topic	Ch	Contents	Assignment / Readings
1 & 2	Capital structure decisions	Case 1	<ol style="list-style-type: none"> 1. Describe Diageo's current approach to managing its capital structure. What are the key variables that guide its capital structure policy? 2. What factors should Diageo consider in determining its capital structure? What information would you collect and what analyses would you conduct in order to determine the appropriate level of gearing? 3. What is the textbook approach to trading off the benefits and costs of higher gearing? 4. Simulation analyses enable the decision maker to get a better grasp of uncertainty. What is the uncertainty facing Diageo and how might better understanding this uncertainty enlighten their financial policy decision? 5. The courseware HBS Inc. Simulation Model provides a very stylized version of Diageo's analysis. How does the spreadsheet capture the value destruction from financial distress (you are not expected to run the Crystal Ball simulation prior to class). 	<p>R1 and R2</p> <p>Assignment 1- Answer questions 1-5 in Case-1</p>
3 & 4	MMM analysis-revisited	Case 1	<p>Using the HBS Inc Simulation Model, answer the following questions:</p> <ol style="list-style-type: none"> 1.1 If HBS Inc borrows \$45 Million, what is the distribution of the value of the firm's unlevered cash flows and the value of the levered firm? How do these distributions differ from each other? Why? 1.2 What happens if the firm's pre-tax cash flows become more volatile? 1.3 What happens if the firm borrows more or less than \$45 million? 1.4 How can you make the model more realistic? <p>2. How does the Treasury Group's simulation work? What aspects of Diageo's business does it capture? What does it ignore? What key assumptions does it make? How could you improve the model?</p>	
5	Risk Management	Case 2	<ol style="list-style-type: none"> 1. How much did the hedge actually reduce volatility? 2. Was the firm over- or under-hedged relative to the optimal volatility-minimizing hedge? 3. How high would the correlation between the operating cash flows and cash flows of the hedge have had to be to reduce volatility by 50%. 4. What was the expected time to bankruptcy given the optimal volatility-minimizing hedge? What was the expected time to bankruptcy without the hedge? <p>Hint: Use HBSinc.xls as a template. You may assume that the σ of the hedged cash flow is 33.68%. Figuring out where that number comes from is a plus.</p> <ol style="list-style-type: none"> 5. Given the optimal hedge, what was the B:C ratio? 	<p>R3</p> <p>Page 718-728 in Textbook 1</p> <p>Pages 697-706 in Textbook 2, Chapter 25</p>
6	Currency Hedging	R4, R5	<ol style="list-style-type: none"> 1. Calculate currency exposure for the past year? What currencies? Is it long or short? 2. What goal would you recommend for the firm's currency risk management program? Why? 3. Should the firm maintain its policy of completely eliminating exposure on booked sales? If not what policy 	<p>R4, R5</p>

			would you advocate and why?	
7	FEX hedging strategies	Case 3	1. Should MNC hedge FEX rate risk? If not, what are the consequences? If so, how should they decide which exposures to hedge? 2. What do you think of GM's FEX hedging policies? How would you advise them in terms of changing it?	R6
8	Cross-border Valuation	Case 4	1. Is Yell a good buyout candidate? 2. How similar are the UK and US businesses? Do the management projections in Exhibit 6 and 7 make sense to you? Do you trust them? 3. How does Yell's projected debt affects its valuation? 4. How does the cross-border nature of Yell deal affect the valuation of the firm? 5. How much is Yell worth? How much would you bid? 6. How much is this deal worth to the private equity investors?	R7
9	Globalizing the cost-of-capital & capital budgeting	Textbook 2-Page 858-862	1. Evaluating the capital budgeting in global context 2. Cost of capital – international context	R8
10			Team presentations of case related to UAE/GCC	
11	Final Examination			

Case Analysis

#	Details	
1	Diageo plc, G. Chacko and P. Tuffano, Rev Aug'2003	HBS-9-201-033
2	The case of missing profits, Copeland Tom, 2002	HBS 9-202-099
3	FEX Hedging Strategies at General Motors, M. Desai, May 2005	HBS 9-204-024,
4	Valuing a Cross-Border LBO: Bidding on the Yell Group, 2003	HBS 9-204-033

Educational Resources

Educational Resource	Description
Text Book Required	Financial Theory and Corporate Policy (4 th ed), by Copeland Thomas E, J.F Weston, and K. Shastri, NY, Pearson/Addison Wesley, 2005, ISBN-13: 978-0321127211 Corporate Finance, 8 th edition, 2008, Ross, Westerfield, Jaffee, McGraw Hill ISBN 0073105902.
Required Reading List	R1. "HBS Inc Simulator Model", P. Tuffano (Harvard Business Note 9-201-095, HBS Pub, 2001), HBS, Revised April 2004. R2. How much cash does your company need? R. Passov, Harvard Business Review Reprint R0311, HBS Pub. 2003 R3. Page 718-728 in Copeland Thomas E, J.F Weston, and K. Shastri, Financial Theory and Corporate Policy (4 th ed), NY, Pearson/Addison Wesley, 2005 R4: A Framework for Risk Management, K. Froot, D. Scharfstein, and J. Stein (HBS reprint 94604), 1994 R5. Could companies use VaR? J. MeVay and C. Turner (P. 84-86: Euromoney) R6. Note on Transactions and Translation Exposure, W.C. Kester and R. Melnick, 1992, HBS 9-288-017 R7. Cross-Border Valuation, W.c. Kester, J. Morley, 1995 (Rev. Aug'1997), HBS 9-295-100 R8. Globalizing the cost of capital and Capital Budgeting at AES, M. Desal, 2004, HBS 9-204-109