

## FIN 412 Derivatives and International Finance Syllabus

Section 1: TTH 3:00-4:15PM (Smith Decision Center 1908)

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Term: Spring 2020  
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Tu 12:15PM-2:45PM or by appointment

*Course Description:* This upper-level finance course is one of the required courses for completing the finance option or an elective course for a business major. This course will cover the derivatives and foreign exchange markets, encompassing the derivative strategies and valuations; forex risk management; and international parity theories and implications for the forex markets. At minimum, students are **expected to dedicate 7-9 hours outside of class** on average per week for successful completion of the course.

*Prerequisites:* FIN 300, working knowledge of algebra, statistics, calculus, and Microsoft Excel.

*Learning Outcomes* Students completing this course will be able to:

1. Understand the history, purpose, and uses of the derivatives markets. (1, 5)
2. Analyze various derivative strategies and understand their return and risk. (1,2,5,6)
3. Describe and perform the valuation of an option instrument.
4. Explain the foreign exchange markets (1, 5). Specifically, be able to:
  - i. Distinguish between the spot and the forward market.
  - ii. Discuss the role of arbitrage in the forex markets.
5. Explain the international parity relationships and their implications for the forex markets. (1, 5)
6. Discuss how derivatives can be used in the foreign exchange markets for risk management purposes. (1, 5)
7. Complete assigned tasks collaboratively in a group environment (1,2,3,4,5,6)

\*Above Learning Outcomes aligns with MVS' Program Learning Outcomes for: 1) Critical thinking, 2) Oral communication, 3) Written Communication, 4) Conduct (Ethics), 5) Competencies in discipline, 6) Collaboration

*Course materials:*

- I. Textbooks: No textbook purchase is necessary. For international finance, I will reference selected chapters from open-source textbooks. Will be available on Canvas for you to read online or print. I recommend that you print the pages as specified in the detailed schedule and read before and/or after each class.

- II. Course Lecture Slides (topic by topic): **Required**. I will upload the lecture slides on Canvas prior to our meeting in class (probably the day before or even in the morning of the class). Make sure to print the slides and bring them with you.
- III. Microsoft Excel and Word: This course will rely on Excel, especially for the Derivatives. Make sure you are comfortable using basic functionalities on Excel.
- IV. Calculator: If you don't have any calculator at all (that supports advanced computations such as exp(), log(), ln(), etc.), please purchase the TI BAI or TI BAI Plus financial calculator. It supports every application and function needed for class. If you already have TI 83, 84, or a similar graphing calculator, no purchase is necessary.
- V. Canvas and CI email: Students must have access to course canvas and CSUCI email accounts. **Please turn on the email notification for announcements.**
- VI. Business/Finance/Economic news: You can find the latest issues of The Wall Street Journal and BusinessWeek at the university library, or find daily business/finance news on websites such as <http://www.bloomberg.com/>, <http://money.cnn.com/>, <http://finance.yahoo.com/>.

*Course Grade Composition: The sum of all points is 1000 pts.*

- I. Participation (100 pts, 10%)
- II. Problem Sets (400 pts, 40%)
- III. Two Midterms Exams (300 pts, 30%): 150 pts each.
- IV. Final Exam (200 pts, 20%): If the score is higher than any of the midterm exams, this score will replace the lower of the two midterm scores (in %).
- V. Extra Credit: Investopedia Investment Simulation (10 Pts).

#### *Details on the Grade Components*

- I. Participation: Asking and answering questions in class and online (Canvas discussion), participating in in-class/online activities and discussions, not using cell phones and laptops, arriving early and sitting in the front for me to recognize you, visiting my OHs, etc.

There may be a random attendance assignment for a regular class (meaning a class without an in-class quiz or exam). If you have to be absent and to find out what will be covered, you can check out the course schedule and course workbook. Come to office hours or email me *afterwards* if you'd like to catch up on your missed class.

Some of your participation points will be contributed by your online activities on Canvas. For this reason, I require you to check Canvas regularly and keep up-to-date online.

- II. Problem Sets: Each problem set will be worth 100 pts. In case there are more than 4 problem sets, the highest 4 will be kept. You must show a reasonable amount of work

for each answer, and the final answer(s) must be marked visibly (either underlined, highlighted, circled in red, etc). ***There will be no partial credits for showing an incorrect answer. But without showing work, the question will be marked incorrect regardless.*** There is no excuse for late submissions. Unless it's an emergency with legitimate proof, there is no need to let me know if you will be missing any quizzes. You may work with your classmates on this, but the final submission must be turned in individually.

III. Midterm Exams: There will be two non-cumulative in-class midterm exams: one on Derivatives and another on International Finance. Please **come see me (no emails) at least 10 days in advance** if you cannot take the exam on the designated date. If you fail to notify me at least 10 days in advance, you agree that you forfeit the right to take the make-up exam. The make-up exam needs to be taken during the 1-week period *before* the actual exam date and must be taken at the library LRC in the morning of Monday-Thursday starting between 8:00-8:30AM. No exceptions.

If a sudden illness prevents you from taking it on time, you *have to* bring me a doctor's note from the university clinic visitation. Even if you weren't sick enough to see a doctor, you still need to go see the doctor for the note.

- Retake exams: There will be NO retake opportunities. However, if the final exam score is higher than either one of the midterm scores, the final score will replace the lower of the two midterm scores.

IV. Final exam: There will be one cumulative final exam on the final exam date. By university policy, every final exam must be taken on the designated final day, and there is NO exception. There will be no retake opportunity for the final exam.

*Letter Grade:* Course letter grade will be determined based on the percentage of your points out of 1000. The "ABCD" grading system will be used with the addition of "+" or "-" to any grade except "F." By adding a "+", the grade points earned shall increase by 0.33 (except that A+ shall still be 4.0 grade points). By adding a "-", the grade points earned shall decrease by 0.3.

Percentage grade	Letter grade	Grade points of a four-point scale
100% or above	A+	4.0
93% to 99.99%	A	4.0
90% to 92.99%	A-	3.66
87% to 89.99%	B+	3.33
83% to 86.99%	B	3.0
80% to 82.99%	B-	2.66
77% to 79.99%	C+	2.33

73% to 76.99%	C	2.0
70% to 72.99%	C-	1.66
67% to 69.99%	D+	1.33
63% to 66.99%	D	1.0
60% to 62.99%	D-	0.66
Below 60%	F	0

*Final Exam Date:* Thursday, May 21st 1:00-3:00PM

*Class Policies*

1. We will make sure to use professional email etiquettes in class with each other to get prepared for future business email communications in your career! That is, email communications with me will be welcomed, or even preferred, as long as we follow these rules:
  - a. In the subject, please include the course number and your section number ‘FIN 300 Sec #’ and a brief reason for the communication. Examples: ‘FIN 300 Sec 2: Make-up for exam 1’; ‘FIN 300 3: Missed last class’; ‘FIN 300 4: Questions about the exam’, etc.
  - b. Always err on side of formality when you’re not sure. Begin your email assuming the highest level of courtesy. In general, always address recipients by their last name, unless the person has given you some sort of signal to call them by their first name.
  - c. Always end your email with a small signoff, something like: “Best,” “Best regards,” “Sincerely,” etc.
  - d. Have a signature block to use at the very end of every email. Use the following template:  
 Your full name  
 What major, Class of 20\_\_  
 Any position in school organizations  
 California State University—Channel Island
2. How to effectively use my office hours: you will be welcomed in my office. But I have about 100 students this semester, and for the limited time I have open for you, I’d like to make this time as productive and rewarding for both you and I as possible.
  - a. I’ve had students come and ask questions like “can you just review the whole thing again?” “Can you summarize the stuff that will be on the exam?” This, you can and must do yourself. Please keep in mind that I am not your tutor. The estimated time you need to spend for this course outside of class is 7-9 hours a week. This includes the time to review, study, and make notes for yourself. As mentioned before, I won’t be making any more study guides than the course workbook I put together.
  - b. Before you come to my office hours, do your homework. At the least, review the lecture notes, read the textbook chapters, do some practice alone, and know the definitions.
  - c. Come to my OH when you can’t proceed further without my help.
  - d. If you missed a class, check the class schedule, read the corresponding textbook chapters and course workbook, try to consult your classmates, and then come to me as your last resort. Please understand that I cannot repeat the entire lecture again for every student that missed a class. Try your best to attend every class.
  - e. “Can you do this problem? (showing no prior attempts.)” is unacceptable.
  - f. It is *okay* to come to my OH to ask about a part of the lecture for which you were present but just simply missed or forgot.

- g. It is okay to come to my OH to have a discussion, ask questions, or talk (not necessarily directly related to the class content but related to academics, finance, career, etc).
3. No late work will be accepted. This policy applies to the projects, all exams, and quizzes. If you will be absent in class on the due date, you have to **submit it to my office before it's due.**
4. Cell Phones, Calculators, and Laptops: Cell phones must be set to "Off." If you are expecting an urgent call you may set it to "Vibrate" and leave the classroom to answer the call. Texting is not allowed and cell phones shall not be visible during class at any time. If you're caught texting or browsing with your smartphones, you agree to turn in your phone and pick it up from me after class. Programmable calculators are not allowed on homework, quizzes, and exams. **No laptop computers or tablets are allowed in classroom, not even for note-taking purposes** unless specifically instructed to use it for class purposes.
5. Add/drop, withdraw, and incomplete policy: Students should comply with the university policy for add/drop, withdraw, and incomplete procedure.
6. Statement of Academic Integrity: This course will adhere to CSUCI's academic dishonesty policy.
7. Accommodations for Students with Disabilities: Cal State Channel Islands is committed to equal educational opportunities for qualified students with disabilities in compliance with Section 504 of the Federal Rehabilitation Act of 1973 and the Americans with Disabilities Act (ADA) of 1990. All requests for accommodations need appropriate advance notice by the student to avoid a delay in services. Please discuss approved accommodations with me as soon as the semester starts. If you are a student with a disability requesting reasonable accommodations in this course, please visit Disability Accommodations and Support Services (DASS) located on the second floor of Arroyo Hall, or call 805-437-3331. <https://www.csuci.edu/dass/students/apply-for-services.htm>.

**Note:** Information contained in this syllabus, other than that mandated by the University, may be subject to change without advance notice. Topics and assignments and their timing listed under the tentative course schedule may be adjusted during the semester depending on the pace and needs of the class.