

**Syllabus**  
**FIN 412 Derivatives and International Finance**  
**TuTh 12PM-1:15PM (Smith Decision Center)**

Instructor: Kyungyeon (Rachel) Koh, PhD  
Term: Spring 2023  
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Office Hours: Th 1:30PM-2:45PM

*Course Description:* This upper-level finance course is one of the required courses for completing the finance concentration 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 8-10 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 functionalities and uses of the derivatives markets and the system in which this market operates. (1, 5)
2. Analyze various derivative positions and strategies and understand their return and risk. (1,2,5,6)
3. Describe and perform the valuation of a derivative instrument. (1, 5)
  - i. Explain and perform the binomial option pricing.
  - ii. Explain and perform the Black-Scholes option pricing.
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, 3, 5)
6. Discuss how derivatives can be used in the foreign exchange markets for risk management purposes. (1, 3, 5)

\*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. **Textbook:** We will use four chapters in the textbook **Essentials of Investment 9<sup>th</sup>, 10<sup>th</sup>, or 11<sup>th</sup> Ed. or newer by Bodie, Kane, Marcus (BKM, McGraw Hill)**, and one chapter from **Essentials of Corporate Finance** from FIN 300 (will be provided on Canvas). If you have

taken FIN 413, there is no purchase necessary as it is the same textbook. If you have not taken FIN 413 and certainly plan to take FIN 413 next semester, **then it is highly recommended that you purchase the textbook**. New or used or rent/hard copy or electronic copy **without** Connect. You can choose to *rent* or buy any of the above editions (9th Ed is available for rent on Amazon at around \$12!).

- II. Accepi: We will be using Accepi for online reading assignment. You're required to do all the assigned readings, and I may not be able to cover every part of the reading in the lectures. To assure that you keep up with your reading, this platform will be used to test your reading and problem solving skills based on the reading.

You'll access the system through Canvas. The first time you do, you'll be asked to **pay \$9.95 by credit card**. You can then start working on the first assignment. Once you've completed the assignment, you can practice the same problem again with new numbers without affecting your overall score. If you have questions, let me know, or please visit <https://accepi.com/support> or contact [support@accepi.com](mailto:support@accepi.com).

- 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: The same calculator that you have used for FIN 300 should be sufficient. For this class, financial applications that support the time value of money computations are NOT 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:*

- I. Accepi (20%)
- II. Assignments (20%)
- III. Midterms (30%)
- IV. Final Exam (30%)

#### *Details on the Grade Components*

- I. Accepi: This online quiz based on the textbook reading will check your understanding of the concepts and help you practice some basic problems.

II. Assignments: There will be a number of assignments on Canvas, throughout the course. Each assignment will be different in format and the number of points, so please read the instructions for each assignment carefully.

III. Midterm Exams:

- Please plan ahead and take the exam on the designated dates and times.
- There will be two non-cumulative in-class midterm exams: one on Derivatives and another on International Finance. Please **schedule a meeting 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.
- If a sudden illness prevents you from taking it on time, you *have to* send me a doctor's note from the university clinic visitation, to stay aligned with the university policy.

IV. Final Exam: **Cumulative**. Will take place on the final exam day.

- CSUCI final exam date: Thursday, May 18, 10:30AM-12:30PM

*Readings:*

*From Essentials of Investment*

Chapter	Contents
15	Options Markets (Option Basic and Combined Strategies)
16	Option Valuation
17	Futures

*From Essentials of Corporate Finance (will be uploaded).*

Chapter	Contents
18	International Aspects of Fin Mgmt.

*From International Financial Management*

Chapter	Contents
6	International Aspects of Fin Mgmt.

*Letter Grade:* Course letter grade will be determined based on the percentage of your points out of 1000. The "ABCDF" 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 0.33.

Percentage grade	Letter grade	Grade points of a four-point scale
100% or above	A+	4.0
93% to 99%	A	4.0
90% to 92%	A-	3.66
87% to 89%	B+	3.33
83% to 86%	B	3.0
80% to 82%	B-	2.66
77% to 79%	C+	2.33
73% to 76%	C	2.0
70% to 72%	C-	1.66
67% to 69%	D+	1.33
63% to 66%	D	1.0
60% to 62%	D-	0.66
Below 60%	F	0

### *Class Policies*

1. 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 must **submit it to my office before it's due.**
2. 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.
3. 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.

## Our Class Disruption Plan

### Disruption?

Yes! A disruption means you, me, or all of us cannot participate in 'class as usual' for a reason we could not predict at the beginning of the semester. After COVID-19, we are well aware that disruption can happen fast. While we hope to avoid any closures due to COVID related reasons, let's face it, disruption happens every semester. You may get sick, I may get sick, or campus may close due to a wildfire - this is California after all. Life happens! Our goal as a learning community is to do our best to keep teaching and learning with as little interruption as possible. This page explains what you can expect from me and what I expect from you when facing disruption - small or big!

### If I am 'out'

If for any reason I have to be absent unexpectedly for at least a week or longer, I will make sure to announce it as soon as I can through Canvas announcements. I will most likely have some materials for you to work on, such that you know what to do without my immediate instruction. Please keep an eye out for all the announcements I send out.

### If you are 'out'

If you know ahead of time you're going to be absent for a certain length of time, then let me know, such that I can provide directions as to how to keep pace and stick with the course without falling too behind.

If your absence is not expected (due to illness, family emergency, etc), then contact me when you can, at your earliest convenience. In case of illness, if you can keep the doctor's note from your illness, then it'd help. Once you return and resume work, contact me such that I can provide directions as to how to catch up.

### If Campus Closes

If all of campus closes, which has happened at least once over the last three or more academic years, I will communicate to you through the Canvas announcements, which will arrive in your email inbox.