



Syllabus
FIN 412 Derivatives and
International Finance
Spring 2024

Instructor: Rick Learman, MBA, CPA

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Held: Mon/Wed 12-1:15pm

Location: Broome Library 2330

Office: MVS Hall 1171

Office Hours: Mon/Wed 1:30-
2pm (also by appointment)

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. The course will cover international finance, the derivatives and foreign exchange markets, encompassing forward/futures securities, option strategies, the valuation of forwards and options; and forex and interest rate risk management.

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. Describe the benefits of currency and interest rate swaps (1, 3, 5)
6. Explain balance of payments and the international parity relationships and their implications for the forex markets. (1, 3, 5)
7. Discuss how derivatives can be used by corporations in the foreign exchange markets for risk management purposes. (1, 3, 5)
8. Explain the international bond and equity markets and the concept of international portfolio optimization. (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 the following textbook:

International Financial Management: Author: Eun, Resnick & Chuluun, Publisher: McGraw Hill, 10th Edition

It is highly recommended that you purchase the Eun textbook. New or used or rent/hard copy or electronic copy **without** Connect. (You can find used versions of the 9th edition for purchase under \$30 on Amazon). It is best to read the chapters prior to the in-class discussion of the topics.

- II. **Canvas Readings:** There will be 2 chapters provided on Canvas that students should read when we discuss Options. These readings will be assigned when those topics are to be discussed. It is best to do the readings prior to the in-class discussion of the topics.

- III. **Harvard Business Publishing:** We will be using Harvard case studies throughout the course. The cost will be less than \$20. Information as to how to acquire the case studies will be provided on Canvas.
- IV. Microsoft Excel and Word: This course will rely on Excel, especially for Currency and Derivative calculations. Make sure you are comfortable using basic functionalities on Excel.
- V. 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.
- VI. Canvas and CI email: Students must have access to course canvas and CSUCI email accounts. ***Please turn on the email notification for announcements.***
- VII. Business/Finance/Economic news: From time to time we will discuss current events. 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. | Assignments | (200 points, 20%) |
| II. | Quiz 1 | (150 points, 15%) |
| III. | Midterm Exam | (250 points, 25%) |
| IV. | Quiz 2 | (150 points, 15%) |
| V. | Final Exam | (250 points, 25%) |

Details on the Grade Components

- Assignments:
 - There will be a number of graded 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.
 - If you are unable to meet an assignment deadline, you must notify me in advance to make alternative make-up arrangements. It may not be possible to always provide an alternative make-up assignment or extension if an assignment is to be missed and there may be times students may not be able to

receive credit for missed assignments.

- Quizzes:
 - There will be two quizzes taken during class time
 - Quiz 1 covers material since the class began
 - Quiz 2 covers material since the midterm exam
 - Please make sure you note the quiz dates and be sure to take the quiz in class on those dates.

- Midterm Exam: **Covers material up to the midterm exam date.**
 - Please plan ahead and take the exam on the designated date and time.
 - 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.

- Final Exam: **Covers material since the midterm Exam.** Will take place on the final exam day.
 - Final exam date: Monday, May 13, 12:00-1:15
 - All exams must be taken in the classroom.



Schedule of Topics and Readings		Topic		Reading
Week 1	Monday, January 22, 2024	Introduction to the Course		
	Wednesday, January 24, 2024	Globalization, Investing & the Multinational Firm	Eun	Chap 1
Week 2	Monday, January 29, 2024	Financial Instruments & Risk	None - Lecture materials	
	Wednesday, January 31, 2024	International Bond Markets	Eun	Chap 12
Week 3	Monday, February 5, 2024	International Equity Markets	Eun	Chap 13
	Wednesday, February 7, 2024	Foreign Direct Investment	Eun	Chap 16
Week 4	Monday, February 12, 2024	Quiz 1 (15% of course grade)		
	Wednesday, February 14, 2024	International Portfolio Modeling & Diversification	Eun	Chap 15
Week 5	Monday, February 19, 2024	International Monetary System	Eun	Chap 2
	Wednesday, February 21, 2024	Foreign Exchange Markets	Eun	Chap 5
Week 6	Monday, February 26, 2024	Balance of Payments	Eun	Chap 3
	Wednesday, February 28, 2024	International Parity Conditions	Eun	Chap 6
Week 7	Monday, March 4, 2024	Types of Multinational Exposures	Eun	Chap 8 intro and 9
	Wednesday, March 6, 2024	Midterm 1 Preparation		
Week 8	Monday, March 11, 2024	Midterm 1 on material to date (25%)		
	Wednesday, March 13, 2024	Midterm 1 Postexam review		
Week 9	Monday, March 18, 2024	Spring Recess - No Class		
	Wednesday, March 20, 2024	Spring Recess - No Class		
		Topic		Reading
Week 10	Monday, March 25, 2024	Intro to Derivatives	Harvard & Eun	Chap 7
	Wednesday, March 27, 2024	Options Basics/Strategies	Harvard & Eun	Chap 7
Week 11	Monday, April 1, 2024	Option Valuation: Binomial	Eun and Canvas Readings	Chap 7
	Wednesday, April 3, 2024	Option Valuation: Binomial	Eun and Canvas Readings	Chap 7
Week 12	Monday, April 8, 2024	Option Valuation: Black-Scholes	Canvas Readings	
	Wednesday, April 10, 2024	Option Valuation: Black-Scholes	Canvas Readings	
Week 13	Monday, April 15, 2024	Quiz 2 on material since the midterm (15%)		
	Wednesday, April 17, 2024	Forwards/Futures Basics & Covered/Uncovered Arbitrage	Harvard & Eun	Chap 7
Week 14	Monday, April 22, 2024	Forwards/Futures Valuation	Eun and Supplemental Materials	Chap 7
	Wednesday, April 24, 2024	Swaps (Interest, Credit-Default, Currency)	Harvard & Eun	Chap 14
Week 15	Monday, April 29, 2024	Managing Transaction Exposure	Eun	Chap 8
	Wednesday, May 1, 2024	Managing Operating (Economic) Exposure	Eun	Chap 9
Week 16	Monday, May 6, 2024	Final Exam Preparation		
Final Exam	Monday, May 13, 2024	Exam - Covers material since the Mid Term (25%)		

Letter Grade: The 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 0.3.

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 assignments will be accepted unless otherwise approved by the instructor. There will be no late exams taken or accepted.
2. Chat GpT and other AI tools may be used, however must be cited when used. Students should take care to use these tools as often they contain inaccurate, incomplete, or misleading information. Formulas described or results achieved by using these tools may not exactly reflect methods used in the course (grading is based on what is taught in the course). Direct wording taken from these tools must be indicated in “quotes” when included in an assignment, quiz, or exam.
3. 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. You may use laptops and other devices to take notes during class. Unless otherwise permitted within the exam details, the use of cell phones, laptops and other devices are not allowed during exams.

4. 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 readings, assignments, quizzes, and exams 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 you 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.