For reference only (Tentative), will be updated in AY2026/27

Lingnan University
Department of Economics

Course Title	:	International Finance
Course Code	:	ECO4306
Recommended Study Year	:	3 and 4
No. of Credits/Term	:	3
Mode of Tuition	:	Lecture-Tutorial
Class Contact Hours	:	2-hour lecture per week 1-hour tutorial per week
Category in Major Prog.	:	Major in Economics (Elective Course), IEP Major (Elective Course), GEB Major (Required Course)
Discipline	:	Economics
Prerequisite(s)	:	(a) ECO2101 Introduction to Economics, or (b) ECO2104 Introduction to Microeconomics and ECO2105 Introduction to Macroeconomics, or (c) BUS2105 Microeconomics for Business
Co-requisite(s)	:	N/A
Exclusion(s)	:	N/A
Exemption Requirement(s)	:	N/A
Restriction	:	FIN3352 International Financial Management

Brief Course Description

Today's financial markets are truly global in nature. This course attempts to cover the practical issues of international finance and summarises the current literature with only elementary math as a prerequisite. The practical questions include, but are not limit to, where to borrow and invest internationally, what different types of international bonds and stocks can be used to raise capital, how exchange rates affect cash flows, what can be done to avoid foreign exchange exposure and risk, and the general financial management problems of doing business in the global environment.

Aims

This course aims to:

1. introduce students a full set of concepts in international finance;
2. help students to understand what determines exchange rate;
3. learn a set of tools to analyse exchange rate risks;
4. apply knowledge to manage those risks.

Learning Outcomes (LOs)

Upon completion of this course, successful students should be able to:

1. explain the basic demand and supply approach for exchange rate determination;
2. apply the basic skills for international arbitrage;
3. use the currency derivatives to hedge the exchange rate risk; and
4. predict different effects from exchange rate changes upon macro or micro economy.

Indicative Contents

I. The international financial environment
   a. Multinational financial management: An overview
   b. International flow of funds
   c. International financial markets
   d. Exchange rate determination
   e. Currency derivatives

II. Exchange rate behavior
   a. Government influence on exchange rates
   b. International arbitrage and interest rate parity
   c. Relationships between inflation, interest rates, and exchange rates

III. Exchange rate risk management
   a. Forecasting exchange rates
   b. Measuring exposure to exchange rate fluctuations
   c. Managing transaction exposure
   d. Managing economic exposure and translation exposure

IV. Long-term asset and liability management
   a. Direct foreign investment
   b. Multinational capital budgeting
   c. Multinational restructuring
   d. Country risk analysis
   e. Multinational cost of capital and capital structure
   f. Long-term financing

V. Short-term asset and liability
   a. Financing international trade
   b. Short-term financing
   c. International cash management

VI. Income and capital flows under fixed and flexible exchange rates
   a. Open economy IS and LM curves
   b. The ineffectiveness of fiscal policy, insulation and interdependence, and monetary policy under flexible exchange rate
   c. Sterilization
   d. The ineffectiveness of monetary policy and the effectiveness of fiscal policy with capital mobility under fixed exchange rate
   e. The Monetary-fiscal policy mix
   f. Disequilibrium and overshooting
   g. Foreign exchange market intervention: Sterilized vs. nonsterilized and coordinated vs. unilateral intervention
   h. Exchange rate volatility and real economic activities

Teaching Method

Lectures combined with tutorials. On top of final examination and tutorial presentations, students are required to discuss and analyse the relevant published papers in the literature given in handouts.

Measurement of Learning Outcomes

1. Assignments are mandatory and are designed to help the students to prepare for the final exam, whose questions are similar to homework problems. Problem sets are assigned regularly and answers would be examined one by one; the problems and their solutions will be discussed in tutorials. (LOs 1-2)
2. Group presentation requires students to present a relevant and important topic with a case study of company involved in international business; Students would argue against the other presentation group at counter-point presentation; Other group would participate at tutorial that comment and make a clear convincing critique of two groups above. (LOs 1-4)
3. Each group will select a case from the textbook and write a short joint report to demonstrate students' understanding of international finance concepts in a real-world situation. (LOs 1-4)
4. A final examination assesses students overall understanding of theories and syntheses the applications of international finance. (LOs 1-4)

Assessment

Midterm examination	32%
Final examination (non-cumulative)	32%
Lecture quizzes	12%
Tutorial participation	12%
Flipped-classroom activities	12%

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Required/Essential Reading

Husted, Steven and Michael Melvin, International economics: 9th Edition, Pearson, 2013.

Krugman, Paul, Maurice Obstfeld, and Marc Melitz, International Economics: Theory and Policy: 11th Edition, Pearson, 2018.

Recommended/Supplementary Readings

Chou, W. L. and Shih, Y.C., "The Equilibrium Exchange Rate of the Chinese Renminbi", *Journal of Comparative Economics*, 26, 165-74, 1998.

Eiteman, David, Arthur Stonehill and Michael Moffett, *Multinational Business Finance*, 7th Edition, Addison-Wesley, 1995.

Francisco L. Rivera-Batiz and Luis A. Rivera-Batiz, *International Finance and Open Economy Macroeconomaics*, 2nd Edition, Macmillian Publishing Company, 1994.

Krugman, Paul, Pricing to Market When the Exchange Rate Changes, In *Real Financial Linkages among Open Economies*, edited by Sven W. Arndt. and J. David Richardson, The MIT Press, 48-70, 1987.

Levi, Maurice, *International Finance*, 3rd Edition, McGraw Hill, 1996.

Shapiro, Alan C., *Multinational Financial Management*, 5th Edition, Prentice Hall, 1996.

Rogoff K., "The Purchasing Power Parity Puzzle", *Journal of Economic Literature*, XXXIV, 647-68, 1996.

Important Notes:

(1) Students are expected to spend a total of 9 hours (i.e. 3 hours of class contact and 6 hours of personal study) per week to achieve the course learning outcomes.

(2) Students shall be aware of the University regulations about dishonest practice in course work, tests and examinations, and the possible consequences as stipulated in the Regulations Governing University Examinations. In particular, plagiarism, being a kind of dishonest practice, is "the presentation of another person's work without proper acknowledgement of the source, including exact phrases, or summarised ideas, or even footnotes/citations, whether protected by copyright or not, as the student's own work". Students are required to strictly follow university regulations governing academic integrity and honesty.

(3) Students are required to submit writing assignment(s) using Turnitin.

(4) To enhance students' understanding of plagiarism, a mini-course "Online Tutorial on Plagiarism Awareness" is available on http://pla.ln.edu.hk/.

(5) Students must adhere to the University's guidelines and practices when using Generative Artificial Intelligence (AI) tools. The official documents "Guidelines for Using GAI Tools at Lingnan University" and "Best Practices for Ethical and Responsible Use of GAI Tools in Course Assessments" can be found here: https://www.ln.edu.hk/tlc/generative-artificial-intelligence/gai-guidelines-best-practices.

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Rubric for Classroom participation

Marks	Descriptor
6	The student is prepared, readily contributes to the conversation but doesn't dominate it; makes thoughtful contributions that advance the conversation; shows interest in and respect for others' views; participates actively in small groups.
5	The student comes to class prepared and makes thoughtful comments when called upon; contributes occasionally without prompting; shows interest in and respect for others' views; participates actively in small groups. A score of 5 may also be appropriate to an active participant whose contributions are less developed or cogent than those of a 6 but still advance the conversation.
4	The student participates in discussion, but in a problematic way. Such students may talk too much, make rambling or tangential contributions, take an unnecessarily long time to respond, continually interrupt the instructor with digressive questions, bluff their way when unprepared, or otherwise dominate discussions, not acknowledging cues of annoyance from instructor or students.
3	The student comes to class prepared, but does not voluntarily contribute to discussions and gives only minimal answers when called upon. Nevertheless the student shows interest in the discussion, listens attentively, and takes notes.
2-1	The student is on the margin of the class and does not participate.

Rubric for Quizzes

Excellent: 4 marks	Acceptable: 2-3 marks	Poor: 1 mark
The response is from appropriate, clear, direct, and accurate.	The information in the response is mostly relevant and generally correct.	The response contains several factual errors.

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Grading Rubric for Flipped-classroom activities

Criteria	Exemplary	Accomplished	Developing	Beginning	Fail
Thesis & Focus	• Fully addresses the questions and demonstrates a thorough and accurate understanding of the important issues or themes in the questions; Connects questions to broader issues in theories/concepts and real life • Clear, precise, original, well-defined and well-positioned answers which are sophisticated in both statement and insight	• Demonstrates a rather complete understanding of the important issues or themes in the questions relating to theories/concepts and real life • Clear, specific, argumentative answers, may have left minor terms undefined	• Demonstrates an incomplete understanding of the important issues or themes in the questions but attempts to relate theories/concepts and real life • Some intelligible ideas, but the answer is weak, unclear, or too broad, may not define several central terms	• Demonstrates severe misconceptions about the important themes or issues; Fails to connect to theories/concepts or real life • Answers vague or not central to argument, central terms not defined	**Plagiarism**
Analysis & Argumentation	• Thoroughly interprets and evaluates the information; Distinguish among fact, opinion and value judgments • Comprehensively analyzes and synthesizes the issues from multiple perspectives or dimensions • Evaluates implications and complications or responds to counter-arguments	• Information with some interpretation and evaluation; Attempts to distinguish from fact, opinion and value judgments • Offers analyses and evaluations of obvious alternative points of view, perspectives or dimensions • Most ideas are elaborated	• Interprets and evaluates information, but may overlook some important information • Superficially evaluates obvious alternative points of view, perspectives or dimensions • Connections between some ideas and facts are not elaborated clearly	• Lists information without justification • Superficially analyzes or synthesizes the issues • Single perspective is discussed • Connections between ideas and facts are not made	
Evidence & Support	• Evidence is very relevant, accurate, complete, well documented and integrated, and appropriate to support the arguments • A wide range of relevant scholarly sources is used and assessed analytically and critically, including lectures and course readings and information not explicitly discussed in class • Provides detailed and proper footnotes/endnotes • Correct citation of sources	• Provides necessary evidence to convince reader of most aspects of the main argument but not all • Evidence is relevant, accurate, and well documented, but may not well integrated • Some variety of sources are used • Provides some details in footnotes/endnotes • Citation style often used correctly	• Some evidence but not enough to develop argument in unified way • Evidence may be inaccurate, irrelevant, or inappropriate to support the arguments • Uses only a few of the sources provided in class, or does not analyze the sources • Provides limited detail in footnotes/endnotes • Frequent errors in citation style	• Much of information included is irrelevant and inadequate to support the arguments with numerous factual mistakes, omissions or oversimplifications • Only minimally uses sources provided in class without any analysis, or relies exclusively on non-scholarly outside sources • No citation or footnotes/endnotes or incorrectly cites the sources	
Writing, Structure, and Delivery	• Solid topic sentences in paragraphs • Each sentence structured effectively, rich, well-chosen variety of sentence styles and length • Almost entirely free of spelling, punctuation, and grammatical errors • Well organized, clear and presents ideas in a coherent and analytical manner • Clear delivery, pronunciation, and slides	• Acceptable topic sentences in paragraphs • Effective and varied sentences; Some errors in sentence construction • May contain a few errors, which may annoy the reader but not impede understanding • Clear delivery, pronunciation, and slides with occasional problems	• Weak topic sentences in paragraphs • Sentences show errors of structure and little or no variety • Contains several mechanics errors, which may confuse the reader but not impede the overall understanding; Careful proofreading not evident • Halting or uninspired delivery, mediocre pronunciation, slides with multipel problems	• Poor topic sentences in paragraphs • Multiple and serious errors of sentence structure • Contains serious errors that block the reader's understanding; Proofreading not evident • Poor delivery, distracting slides.	

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Grading Rubric for midterm and final examinations

	4 marks	3 marks	2 marks	1 mark	0 marks
Analysis	The response has a clear thesis that is analytically interesting and creative, plausible; the analysis has impressive depth	The response meets most of the criteria listed in the column to the left, but is lacking in one or more of them-or accomplishes all of them at a slightly lower level than excellence	The response has an identifiable thesis, but it may be a bit mundane or uninteresting, and not particularly creative; the analysis is superficial	The response has an identifiable thesis, but it is not analytically interesting, plausible; there is little analysis	The response lacks any clear thesis and little to no analysis.
Documentation	The response provides ample evidence in support of its thesis, with no extraneous detail; evidence is well-connected to the thesis; documentation is clear.	The response provides significant amounts of supporting evidence, well-connected to the thesis; some detail is extraneous; documentation is mostly clear.	The response provides supporting evidence, but less than is needed to make the argument; there is a significant amount of extraneous detail; documentation is incomplete or unclear.	The details of the response relate very thinly to a main argument; the evidence is poorly documented.	The response provides little to no evidence in support of a main argument; most evidence provided is undocumented.
Organization	All writing relates to the thesis in a clear manner; individual paragraphs have a clear focus; there are clear transitions between paragraphs or ideas when appropriate; the order in which the ideas are presented makes sense.	Nearly all writing relates to the thesis in a clear manner; all or most individual paragraphs have a clear focus; there are generally clear transitions between paragraphs or ideas; the order in which the ideas are presented makes sense.	Most writing relates to the thesis in a clear manner, most individual paragraphs have a clear focus, and the order in which the ideas are presented generally makes sense; but there are often unclear transitions between ideas.	Most writing relates to the thesis in a clear manner, most individual paragraphs have a clear focus; it is often unclear why ideas are presented in their particular order, and there are often unclear transitions between ideas.	The response is extremely disorganized to the point that the order in which ideas are presented appears virtually random.
Language skills	The writing displays excellent English language skills, with few mistakes, and is easily understandable	The writing contains several fairly minor errors, but the writing is clear and understandable	The writing contains several minor errors and/or a few major ones; the writing is mostly clear but may be difficult to understand in places.	The writing contains numerous writing errors that are serious enough that the paper is very difficult to understand	The writing contains an unacceptably large number of writing errors, major or minor, to the point of making it difficult or impossible to understand.