Objective

The objective of the Global Finance course is to provide students with a basic understanding of finance concepts and techniques as applied to a global setting. The course discusses global financial markets and how corporations make financial decisions in the present global financial environment.

Expected Learning Outcomes - Students will:

- Understand how firms use capital markets to obtain funding and investors use capital markets to invest surplus capital.
- Be able to describe the characteristic and cash flow attributes of the basic financial claims such as stocks, bonds, and derivative securities commonly found in modern capital markets.
- Be able to calculate present values and future values of complex streams of cash flows.
- Be able to calculate theoretical prices for standard financial claims such as stocks and bonds.
- Understand the theoretical underpinnings of modern portfolio theory and the Capital Asset Pricing Model.
- Be able to evaluate basic capital budgeting projects to include setting up expected cash flows, calculating appropriate discount rates, and calculating Net Present Values and Internal Rates of Return.
- Understand how capital structure affects firm value in a world characterized by imperfect capital markets.

We will emphasize the underlying principles and theories that pertain to each of these areas while also presenting the context in which they operate. What we observe in the "real" world of finance results from the interaction of underlying principles with the current financial environment. The financial environment is certain to change, however, basic principles will remain the same. Understanding these basic principles will prepare you to operate in the financial environment of tomorrow, whatever tomorrow brings! Our objective, therefore, will be to understand why things happen in finance as opposed to memorizing historical facts.

Required Materials (Note that Prof Kwok uses a separate text for the second half of the course)

Textbook: Corporate Finance: The Core (2011, 2E) by Berk and Demarzo This book is available in the Russell House bookstore. The retail price is between $120 and $140. As an alternative, you can search for a used book online via Amazon or E-bay. You can also purchase an electronic version of the text for about $80 (it comes bundled with an interactive exercise workbook called My Finance Lab.) via the publisher.

A financial calculator is strongly recommended. It should have the ability to do Time Value of Money (TVM) problems. Two good financial calculators are the Texas Instruments BAII plus (about $30) and the Hewlett Packard 17BII+ (about $100). Note, there are a variety of other hand-held devices that have similar calculation ability. However, devices with communication capability (including laptops) are not allowed for exams.
Lecture Notes:

In order to reduce your note-taking, lecture notes will be available on the class web-site. Note: I work through all numerical solutions in class so these lecture notes are a very poor substitute for actually attending class.

Grades:

We will have one exam, one quiz, and about 5 assignments (often requiring spreadsheet modeling). Your grade for Part One of the Global Finance module will be 50% Exam, 20% Quiz, and 30% Assignments. Assignments are intended to reinforce material covered in class. Groups of up to 4 people are strongly encouraged.

The quiz will be primarily quantitative. The exam will consist of a variety of quantitative and short-answer discussion questions. More details will be given when we get closer to the exam date and I have actually thought about writing the exam.

Academic Honesty

University of South Carolina Honor Code:

It is the responsibility of every student at the University of South Carolina Columbia to adhere steadfastly to truthfulness and to avoid dishonesty, fraud, or deceit of any type in connection with any academic program. Any student who violates this Honor Code or who knowingly assists another to violate this Honor Code shall be subject to discipline.

The Honor Code is intended to prohibit all forms of academic dishonesty and should be interpreted broadly to carry out that purpose. The following examples illustrate conduct that violates this Honor Code, but this list is not intended to be an exhaustive compilation of conduct prohibited by the Honor Code:

1. Giving or receiving unauthorized assistance, or attempting to give or receive such assistance, in connection with the performance of any academic work.
2. Unauthorized use of materials or information of any type or the unauthorized use of any electronic or mechanical device in connection with the completion of any academic work.
3. Access to the contents of any test or examination or the purchase, sale, or theft of any test or examination prior to its administration.
4. Use of another person’s work or ideas without proper acknowledgment of source.
5. Intentional misrepresentation by word or action of any situation of fact, or intentional omission of material fact, so as to mislead any person in connection with any academic work (including, without limitation, the scheduling, completion, performance, or submission of any such work).
6. Offering or giving any favor or thing of value for the purpose of influencing improperly a grade or other evaluation of a student in an academic program.
7. Conduct intended to interfere with an instructor’s ability to evaluate accurately a student’s competency or performance in an academic program.

Whenever a student is uncertain as to whether conduct would violate this Honor Code, it is the responsibility of the student to seek clarification from the appropriate faculty member or instructor of record prior to engaging in such conduct.

For more information about academic integrity issues, go to the following website:

http://www.sc.edu/academicintegrity/
### Class Schedule:

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<thead>
<tr>
<th>Date</th>
<th>Section 1</th>
<th>Section 2</th>
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<tbody>
<tr>
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### Material Sequence:

1. **Introduction**
   - Corporations and the financial system (Ch. 1)

2. **What is it worth? (Time Value of Money)**
   - TVM Toolbox (Ch. 3.1-3.2, 4, 5-1)

3. **Interest Rates and Discount Rates (Ch. 5)**

4. **Valuing investments**
   - Key principles (Ch. 3.4-3.6)
   - Fixed income valuation and bond markets (Ch. 8)
   - Common stock valuation and equity markets (Ch. 9)

5. **The risk-return relationship and portfolio management**
   - Risk and Return (Ch. 10)
   - Portfolio management (Ch. 11)
   - Capital Asset Pricing Model (Ch. 12)

6. **Capital Budgeting**
   - Net Present Value and project evaluation (Ch. 6,7)

7. **Financing decisions**
   - Capital structure and cost of capital (Ch. 14, 15, 16)