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Global EMBA: International Finance & Global Capital Markets

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Meet the Professor

Laurence Booth holds the Newcourt chair in structured finance and is the finance area coordinator at the University of Toronto. His major research interests are in domestic and international corporate finance and the behaviour of regulated industries. He has published over forty articles in academic journals, as well as a major textbook for McGraw Hill, International Business (with Alan Rugman and Don Lecraw) and is on the editorial board of four academic journals. An award winning teacher, he has been at the University of Toronto since 1978, where he has taught graduate courses in business finance, international financial management, corporate financing, mergers and acquisitions, financial management and financial theory. He also teaches on short executive programmes on the money & foreign exchange markets, business valuation, mergers and acquisitions and financial strategy. His advice is frequently sought by the media and he has appeared as an expert witness before the Ontario Securities Commission, and the National Energy Board, as well as most of the major regulatory tribunals in Canada. His web site is at <http://www.mgmt.utoronto.ca/~booth>.

About this course

This course is designed to develop a critical managerial perspective on key financial management issues confronting firms operating in a global environment. Topics covered include financial risk management principles, hedging foreign exchange exposure, financial policies in a global environment, identifying real options, valuation principles, and mergers and acquisition analysis.

Approach

This is an intensive course divided into three parts. The first part consists of six lectures delivered in Toronto. The second part consists of six group case analyses that will be done between the Toronto session and the final session in Shanghai. The final part consists of twelve sessions in Shanghai, which will introduce new material and analyse the previously prepared cases. The Shanghai session will culminate in a final

exam!

Course Materials

The course does not require a new textbook. All students should have available a good graduate corporate finance textbook , such as A. Damadoran, Corporate Finance: Theory and Practice (D), John Wiley & Sons, 1997. Additionally the instructor will use some of the ideas in R. Higgins, Analysis for Financial Management., 5th edition, Irwin McGraw-Hill

Grading

Each of the six groups will be responsible for analysing each of the cases and may be called on in class. However, one case will be handed in with a formal case solution. This solution will be no more than six 8X11 pages plus any appendices. The case analysis should include a problem statement, a discussion of the issues and potential solutions, along with a recommendation. The formal analysis can be on any of the Shanghai cases except the Martell case. It is strongly recommended that this analysis be done prior to Shanghai.

The final exam will be comprehensive and cover the Toronto lecture material plus issues that come out of the case analyses.

Class participation:	20%
Group case analysis:	20%
Final Exam:	60%

Course Outline

Toronto

Session 1: The Role of the Financial Manager: Free Cash Flow & Forecasting

Readings D: Chapter 1 Introduction to Corporate Finance,
 D: Chapter 2 Objective Function in Corporate Finance

Session 2 Foreign Exchange Risk

Readings D: Chapter 26 International Finance
 “Big Mac Currencies”
 “Note on Fundamental Parity Conditions.”

Session 3 Techniques for Managing Financial Risk

Readings D: Chapter 27 Option Pricing Theory
 D: Chapter 28 Applications of OPM in Corporate Finance
 D: Chapter 29 Risk Management

Session 4 Option Pricing Model

“An introduction to derivative instruments”

Session 5 Real Options

D: Chapter 23
A. Dixit and R. Pindyk, “The Options Approach to Capital Investment,” Harvard Business Review, (May-June 1995.

Tim Luehman, “Capital Projects as Real Options”

Session 6 Investment Valuation

Readings T. Luehrman, “Using APV: A Better Tool for Valuing Operations”
 Harvard Business Review, May-June 1997.

Shanghai

Session 7: Exposure Management

“Measuring Foreign Activities”

“Note on Operating Exposure to Exchange rate changes”

Case: *Tiffany & Co. - 1993*

Session 8 International Financing

Case: *Companie de Telefonos de Chile*

Session 9 Valuation by Components and Equity Flows

Readings: Note on Cross Border Valuation

Session 10 Funds Positioning

Case: *Dodge Osborne Ageana*

Session 11 Cross Border Investment

Case: *Prince SA*

Session 12 Application of Real Option Valuation

Case: *Arundel Partners*

Session 13 Valuation for M&A

Session 14 Mergers and Acquisitions

Readings: D: Chapters 24
 D: Chapter 25

Sessions 15 & 16 The M&A Process

Case: ***Martell***

Session 17 Using M&A to Change Strategy

Case: ***Time's Entry into the Entertainment Business***

Session 18 Final Exam