

SIMON FRASER UNIVERSITY

MEMORANDUM

To: Senate
From: Senate Committee on Academic Planning
Subject: Faculty of Business Administration
New courses - BUS 410 and BUS 418
Reference: SCUS 89-34
SCAP 89-71
Date: December 13, 1989

Action undertaken by the Senate Committee on Academic Planning/Senate Committee on Undergraduate Studies gives rise to the following motion:

Motion:

"That Senate approve and recommend approval to the Board of Governors as set forth in S. 90-4 the following

New courses	BUS 410 - 3	Financial Institutions
	BUS 418 - 3	International Financial Management."

SENATE COMMITTEE ON UNDERGRADUATE STUDIES

NEW COURSE PROPOSAL FORM

1 Calendar Information

Department Business Administration

Abbreviation Code: BUS

Course Number: 410

Credit Hours: 3 Vector: 0-3-0
~~0-3-0~~

Title of Course: Financial Institutions

Calendar Description of Course:

An examination of debt, equity, and derivative securities markets. Institutional structure, financial contract forms, and pricing relationships will be stressed. Topics to be covered include financial intermediation, financial transacting, valuation, and hedging strategies based on derivative securities.

Nature of Course

Seminar

Prerequisites (or special instructions):

BUS 312 and BUS 315 and ECON 310

What course (courses), if any, is being dropped from the calendar if this course is approved:

None

2. Scheduling

How frequently will the course be offered? Once per year.

Semester in which the course will first be offered? Fall 1990.

Which of your present faculty would be available to make the proposed offering possible? All present faculty in finance, are qualified to offer this course.

3 Objectives of the Course

To replace Economics offerings with courses requiring more finance sophistication and having a greater managerial orientation. Virtually all Business Schools have such courses in their curricula. See attached course outline for more detail.

4. Budgetary and Space Requirements (for information only)

What additional resources will be required in the following areas:

Faculty None

Staff None.

Library None.

Audio Visual None.

Space Classroom only.

Equipment None.

5. Approval

Date: October 6, 1989 October 6, 1989 December 13, 1989

Robert Rogow
Department Chairman

Stanley J. Shapiro
Dean

RS
Chairman, SCUS

SC 73-34b:- (When completing this form, for instructions see Memorandum SCUS 73-34a. Attach course outline).

SIMON FRASER UNIVERSITY
Faculty of Business Administration

BUS 410 - Financial Institutions

COURSE OUTLINE

Purpose:

The purpose of this course is to develop an understanding of the context in which and the methods by which financial transactions take place. Of particular interest is the emergence, development and control of financial institutions and instruments. Financial intermediation and advising, market organization and market making provide the setting, while the creation and secondary market trading of debt, equity, and derivative securities provide the focus. The contributions of intermediaries, investment bankers, dealers, brokers and securities exchanges to the pricing of and transacting in, various types of debt and equity securities will be stressed. The course will also explore financial innovation and the use of derivative securities in various hedging strategies.

Required Texts:

- Paul F. Smith, Economics of Financial Institutions and Markets, (Homewood, Ill.: Richard D. Irwin).
Robert A. Schwartz, Equity Markets, (New York: Harper and Row).
Marcia Stigum, The Money Market, (Homewood, Ill.: Dow Jones Irwin).

Supplementary Texts:

- Marcia Stigum, Money Market Calculations, (Homewood, Ill.: Dow Jones Irwin).
Ronald Shearer, John Chant, and David Bond, The Economics of the Canadian Financial System, (Englewood Cliffs: Prentice-Hall).

Topical Outline

- Part I - An Overview of Financial Markets: Instruments and Institutions
- A. The nature and purpose of financial instruments (1 week)
 - 1. Financial assets defined
 - a. Debt vs. equity
 - b. Direct vs. indirect
 - c. Derivative vs. primary securities
 - 2. Terms (form and security of promise, timing and size of payments)
 - 3. Marketability (standardization, denomination)
 - 4. Issuer type (government, business, individual)
 - 5. Securitization and derivative securities - an overview
 - B. Financial Institutions (1 week)
 - 1. Financial intermediaries (banks and non-banks)
 - 2. Market makers - primary and secondary markets
 - a. Investment bankers
 - b. Investment dealers
 - c. Brokerage and the exchanges
 - d. The third and fourth markets
 - e. Investment managers/advisors
 - 3. Money market vs. capital market institutions

Topical Outline (Continued)

Part II - Financial Services and the Intermediation Process (2 weeks)

- A. Rationales for intermediation (customization, diversification, information economy, standardization, and security)
- B. The intermediaries
 - 1. Banks - the central bank and chartered banks
 - 2. Near-banks - trust and mortgage loan companies, cooperative banks, and savings banks
 - 3. Investment companies - open- and closed-end (including money market funds and VCC's)
 - 4. Finance companies, leasing companies, and factors
 - 5. Pension funds and insurance companies

Part III - Investment Banking (2 weeks)

- A. Market making and the new issues market
 - 1. Initial public offerings
 - 2. Seasoned issue offerings
 - 3. Underwriting as an option strategy
- B. Underwriting and the market for corporate control
 - 1. Hostile takeovers and leveraged buyouts
 - 2. Risk arbitrage in mergers and acquisitions
 - 3. Financial innovation and "junk" bond financing

Part IV - The Microstructure of Financial Markets

- A. The money market (2 weeks)
 - 1. Money market instruments and issuers
 - 2. The investors
 - 3. The market makers - dealers and clearing arrangements
 - a. Underwriting vs. secondary market dealing
 - b. Brokering
 - c. Dealer financing, arbitraging, and hedging
- B. The capital market: Secondary trading (2 weeks)
 - 1. The rationales - services, competition, and pricing
 - 2. The investment dealers
 - 3. Brokerage and the organized exchanges
 - a. Accounts, order processing, and clearing
 - b. Auction techniques
 - 4. Market efficiency
 - a. Informational efficiency
 - b. Commissions and the bid-ask spread
 - c. Order flow, volume, and prices
- C. The derivative securities market (1 week)
 - 1. The instruments - futures and listed options vs. forward contracts
 - 2. Futures and options market institutions
 - 3. Arbitrage and hedging strategies
 - 4. The market makers - floor traders/brokers

Topical Outline (Continued)

Part V - The Regulatory Environment (2 weeks)

- A. Regulating the intermediaries
 - 1. Fiduciary obligations
 - 2. Supervision of investments and financing
 - 3. Competition policy
 - 4. Monetary control aspects
 - 5. The cost/benefit tradeoff
- B. New issues and disclosure regulations
- C. Secondary market regulation
 - 1. The IDA and self-regulation
 - 2. Regulation of organized exchanges
 - 3. Listing requirements and ongoing disclosure
 - 4. Insider trading and other unfair dealing
 - 5. Capital requirements and margin controls
- D. Regulation of the derivative securities markets
 - 1. Registration of participants
 - 2. Approval of new contracts
 - 3. Mandatory risk disclosure
 - 4. Enforcement, arbitration, and reparation provisions

SIMON FRASER UNIVERSITY
Faculty of Business Administration
MEMORANDUM

To: Robert Rogow, Chairman
Undergraduate Program

From: J.P. Herzog
Finance Area Coordinator

Subject: New Course Proposal -
Bus 418

Date: September 19, 1989

Attached please find a New Course Proposal Form and Course Outline for BUS 418 (or whatever new number is deemed appropriate). As per your instructions, let me offer the rationale for this course.

As all of us have known from the establishment of the faculty, our finance offerings are pitifully few by Canadian Business School standards. Two years ago, we proposed one new course (BUS 416) to add to the offerings carried over from the old DEC days -- thus bringing our total number of offerings to 4, including the core course, BUS 312. Other Canadian Business Schools typically offer from 8 to 12 courses, and they invariably include the two courses we propose here. It is doubtful that we would ever want to offer the full menu of courses at the upper end of the range, but we should certainly approach the lower end if we hope to have a credible set of choices for those who wish to concentrate in finance. This course and the companion course we propose would bring our total number of offerings to 6.

To some extent we have been able to get away with our dearth of offerings by relying on two courses offered in Economics - ECON 310 and ECON 445. While these two courses contain elements that are useful for students of finance, they are not entirely satisfactory. For one thing, they are taught from the perspective of the economist, rather than the perspective of a manager. This influences not only the way the subject matter is covered, but what subject matter is deemed worthy of inclusion. ECON 445, for example, which BUS 418 is intended to replace in our curriculum, is much more concerned with trade and payment flows between countries and with exchange rate and payment mechanisms. Our course would give some attention to trade and international payments mechanisms, but would focus much more on how managers use these for financial decision-making purposes.

A second issue relates to the matter of control. Not only does Economics (rightly) determine what goes into their courses, but what prior preparation students must have and what performance standards must be met. In the case of ECON 445, for example, prerequisites include ECON 301 and ECON 305. We permit students to take ECON 301 in lieu of our own requirement of BUS 307, but ECON 305 is not required for business majors. Thus our students who wish to take ECON 445 could well be barred from entry into this course if they mistakenly take BUS 307 and fail to take ECON 305. The prerequisites we would (and will) set are quite different. Because the offerings we propose are advanced *finance* courses, students will be required to have completed BUS 312 and BUS 315 -- our business finance and investment courses.

For all of these reasons, then, a larger choice of finance offerings from our own finance faculty; courses taught from a managerial as opposed to economic perspective; differences in coverage; and control over both course content and prior preparation, we urge your Committee to approve our request.

SENATE COMMITTEE ON UNDERGRADUATE STUDIES

NEW COURSE PROPOSAL FORM

1. Calendar Information

Department Business Administration

Abbreviation Code: BUS Course Number: 418

Credit Hours: 3 Vector: 0-3-0
~~XXXXXX~~

Title of Course: International Financial Management

Calendar Description of Course:

An introduction to international financial markets and institutions and to the management of assets and liabilities in an international/multinational setting. Topics to be covered include: exchange rate determination and management of foreign exchange risk; interest rate swaps; international portfolio management; comparative markets; and country risk.

Nature of Course
Seminar
Prerequisites (or special instructions):

BUS 312 and BUS 315 and ECON 345.

What course (courses), if any, is being dropped from the calendar if this course is approved:

None

2. Scheduling

How frequently will the course be offered? Once per year.

Semester in which the course will first be offered? Spring 1991

Which of your present faculty would be available to make the proposed offering possible? All current faculty members are qualified to teach this course.

3. Objectives of the Course

To provide students with a managerial perspective on managing exchange risk, assets, and liabilities in an international/multinational setting. This offering, along with the other proposed offering, BUS 417, would bring our curriculum more into line with business curricula elsewhere in Canada.

4. Budgetary and Space Requirements (for information only)

What additional resources will be required in the following areas:

Faculty None

Staff None.

Library None.

Audio Visual

Space None.

Equipment Classroom only.

None.

5. Approval

Date: October 6, 1989 October 6, 1989 December 13, 1989

Robert Rogner
Department Chairman

Stanley J. Shapiro
Dean

K.S.
Chairman, SCUS

3 73-34b:- (When completing this form, for instructions see Memorandum SCUS 73-34a. Attach course outline).

SIMON FRASER UNIVERSITY
Faculty of Business Administration

COURSE OUTLINE

BUS 418 - International Financial Management

Purpose:

The purpose of this course is to examine the financial management of firms (both domestic and multi-national) in an international setting. Topics to be covered include exchange rate determination, management of exchange rate risks, interest rate swaps, international portfolio strategies, comparative financial markets, and country risk.

Required Text:

Rita M. Rodriques and E. Eugene Carter, International Financial Management, (Englewood Cliffs: Prentice-Hall).

Supplemental Readings:

John Williamson, The Open Economy and the World Economy, (New York: Basic Books).

Marcia Stigum, Money Market Calculations, (Homewood, Ill.: Dow Jones-Irwin).

Topical Outline:

- Part I- Exchange Rate Strategies
 - A. National Accounting and the Balance of Payments
 - B. Exchange Rate Determination
 - C. Interest Rates and Currency Swaps

- Part II - Financing Strategies
 - A. Financing International Trade
 - B. The Euro-Currency and Euro-Bond Markets
 - C. Financing the Multi-National Firm

- Part III - International Investing
 - A. Direct vs. Portfolio Investment
 - B. Cash Flows for Capital Budgeting - The International Elements
 - C. The Cost of Capital in An International Setting
 - D. International Capital Asset Pricing

- Part IV - Hedging Strategies
 - A. Matching Assets and Liabilities
 - B. Use of Derivative Securities in Hedging:
 - 1. Foreign Currency Options
 - 2. Forward Contracts
 - 3. Foreign Exchange Futures