

# BADM-2760: GLOBAL TRADE AND FINANCE

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## Cuyahoga Community College

**Viewing: BADM-2760 : Global Trade and Finance**

**Board of Trustees:**

March 2021

**Academic Term:**

Fall 2021

**Subject Code**

BADM - Business Administration

**Course Number:**

2760

**Title:**

Global Trade and Finance

**Catalog Description:**

Basic concepts and practices of international trade finance, including the financial environment, nature of international transactions and the flow of finance between countries resulting from global trade. Exchange rates, risks, and risk management options are analyzed, and the selection of payment terms and resulting impact upon profitability and the export process defined.

**Credit Hour(s):**

3

**Lecture Hour(s):**

3

## Requisites

**Prerequisite and Corequisite**

BADM-2601 Global Commerce and Communication or concurrent enrollment.

## Outcomes

**Course Outcome(s):**

Demonstrate knowledge of international financial market development.

**Essential Learning Outcome Mapping:**

Critical/Creative Thinking: Analyze, evaluate, and synthesize information in order to consider problems/ideas and transform them in innovative or imaginative ways.

**Objective(s):**

1. Define and illustrate the laws of absolute and comparative advantage.
2. Describe the various rationale for free trade between nations.
3. Trace the history of the Multinational Corporation and the International Monetary System.
4. Identify the major political/monetary unions and the nature of their currencies and trade practices.

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**Course Outcome(s):**

Summarize the current issues associated with international trade finance and the main drivers of global trade.

**Essential Learning Outcome Mapping:**

Written Communication: Demonstrate effective written communication for an intended audience that follows genre/disciplinary conventions that reflect clarity, organization, and editing skills.

**Objective(s):**

1. Identify and explain the consequences and motivations behind globalization.
2. Describe the major international and regional lending institutions including the World Bank, the International Monetary Fund, the European Central Bank and the Asian and African Development Banks.
3. Evaluate the connection between political and financial instability in global markets.

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**Course Outcome(s):**

Explain and interpret foreign exchange rate calculations and apply them to specific transactions.

**Essential Learning Outcome Mapping:**

Critical/Creative Thinking: Analyze, evaluate, and synthesize information in order to consider problems/ideas and transform them in innovative or imaginative ways.

Quantitative Reasoning: Analyze problems, including real-world scenarios, through the application of mathematical and numerical concepts and skills, including the interpretation of data, tables, charts, or graphs.

**Objective(s):**

1. Describe the organization of the foreign exchange market: fixed, floating, managed float and pegged currencies.
2. Calculate the equilibrium spot exchange rate.
3. Calculate changes in a currency's spot rate and its impact on the value of a global transaction.
4. Evaluate the forward market as a means of managing foreign transactions.
5. Explain futures contracts and currency options as discrete trading opportunities.
6. Construct hedging scenarios to mitigate currency risk.

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**Course Outcome(s):**

Identify financial risks in global markets and apply methods of risk management.

**Essential Learning Outcome Mapping:**

Critical/Creative Thinking: Analyze, evaluate, and synthesize information in order to consider problems/ideas and transform them in innovative or imaginative ways.

**Objective(s):**

1. Describe transaction and translation exposure.
2. Describe and apply various management strategies to minimize these exposures.
3. Differentiate between measures of foreign exchange exposure.
4. Select a strategy to address foreign exchange transaction risk.
5. Conduct a financial risk screening in evaluating global market opportunities.
6. Identify global and regional legal regulations which impact the calculation and interpretation of financial statements

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**Course Outcome(s):**

Identify the methods of payment by which global trade is conducted.

**Essential Learning Outcome Mapping:**

Critical/Creative Thinking: Analyze, evaluate, and synthesize information in order to consider problems/ideas and transform them in innovative or imaginative ways.

**Objective(s):**

1. Explain the various types of documentary drafts including sight, time and date.
2. Explain the various forms of letters of credit and diagram the process flow of an l/c payment.
3. Identify options for insuring import/export sales and shipments.
4. Delineate the processes by which countertrade is applied in global transactions.
5. Summarize the payment documentation required to complete an import/export transaction.
6. Summarize the nature of crypto/cyber currencies and their impact upon global transactions.

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**Course Outcome(s):**

Enumerate the resources available to research the financial regulations and currency histories of global markets.

**Essential Learning Outcome Mapping:**

Information Literacy: Acquire, evaluate, and use information from credible sources in order to meet information needs for a specific research purpose.

**Objective(s):**

1. List the U.S. government resources available for global trade research.
2. Describe the global organizations that serve as resources for global trade finance data.
3. Explain the benefits of research relationships with commercial banks.
4. Define the services provided by World Trade Centers and International Trade clubs.
5. Locate online resources for U.S. Chambers of Commerce abroad.
6. Define the benefits and disadvantages of utilizing professional trade consultants.

**Course Outcome(s):**

Explain the impact of culture and religion upon global trade finance.

**Essential Learning Outcome Mapping:**

Cultural Sensitivity: Demonstrate sensitivity to the beliefs, views, values, and practices of cultures within and beyond the United States.

**Objective(s):**

1. Explain the challenges of diverse cultures as they relate to the harmonization of global financial standards.
2. Discuss the propensity of global businesses to trade in countries with similar cultural, religious and work ethics.
3. Describe how culture and religion indirectly affect global finance and institutions through their influence on social traditions, customs, laws and government.
4. Compare and contrast the relative levels of corruption in major world markets.
5. Discuss the nature of Sharia law as it pertains to global finance; its similarities and differences to traditional finance procedure.

**Methods of Evaluation:**

1. Case studies
2. Tests
3. Role play
4. Research studies
5. Project
6. Community outreach initiative

**Course Content Outline:**

1. The history and development of global financial markets.
  - a. Absolute and comparative advantage
  - b. Theories of free trade
  - c. Growth of the multinational corporation
  - d. Evolution of the international monetary system
  - e. The gold standard
  - f. The Bretton Woods system
  - g. The collapse of the fixed exchange rate system
2. The forces of globalization
  - a. What is globalization?
  - b. The emergence of global institutions
  - c. Drivers of globalization
  - d. The globalization debate
  - e. The changing demographics of the world economy
  - f. Global and regional lending institutions
  - g. The Euro and its consequences
  - h. Screening for political and financial instability
3. Understanding and managing foreign exchange (FX)
  - a. The nature of currency exchange
  - b. Fixed exchange rate systems
  - c. Freely fluctuating rates

- d. Managed floats
  - e. Pegged rates
  - f. Spot and forward exchange rates
  - g. Basic exchange calculations
  - h. Trading at premium and discount
  - i. Bid/ask prices
  - j. Cross rates
  - k. The impact of exchange on your global transactions
4. Managing global financial risk
- a. Transaction and translation risks
  - b. Hedging (futures, options) for exchange risk mitigation
  - c. Acceleration/delay of payments
  - d. Home currency invoicing
  - e. Translation of foreign accounts: current/ non-current, monetary/non-monetary and temporal rate
  - f. Balance sheet neutralization
5. Methods of payment and payment terms
- a. Different methods of payment
  - b. Bank transfer (bank remittance)
  - c. Check payments
  - d. Documentary collection
  - e. Sight drafts, time drafts and transmittal letters
  - f. Letters of credit
  - g. Counter-trade
  - h. Bonds, guarantees and standby letters of credit
  - i. Export credit insurance
6. Crypto currencies
7. Researching global market finance regulations
- a. United States International Trade Administration
  - b. Export.gov
  - c. U.S. Department of Commerce
  - d. World Trade Organization (WTO)
  - e. Business International (BI)
  - f. World Trade Centers Association (WTCA)
  - g. Affiliating with commercial banks
  - h. The U.S. Chambers of Commerce
  - i. Benefits and disadvantages of professional trade finance consultants
8. Culture, religion and global finance
- a. Cultural requirements for timeliness and financial responsibility
  - b. Cultural biases in the selection of foreign trade partners
  - c. Culture, religion and the financial calendar
  - d. The culture of corruption; its impact on global finance
  - e. The basics of Islamic finance

## Resources

Eun, C., Resnick, B. *International Financial Management*. 8th. New York: McGraw-Hill Essentials, 2017.

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Hinkelman, E.G. (2009) *International Payments: Letters of Credit, Documentary Collections and Cyberpayments in International Transactions*, Novato, CA: World Trade Press.

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Hinkelman, E.G., (2009) *A Short Course in International Trade Documentation*, Novato, CA: World Trade Press.

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Alan Shapiro, Paul Hanouna. *Multinational Financial Management*. 11. Hoboken: Wiley, 2019.

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Michael J. Defosse. (2017) *The Language of Global Finance: Stocks, Bonds and Investments*, Independently Published.

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Steve Suranovic. (2015) *International Finance: Theory and Policy*, Boston: FlatWorld Publishing.

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Jeff Madura. (2021) *International Financial Management*, Boston: Cengage.

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#### **Resources Other**

1. U.S. Department of Commerce International Trade Finance Guide, Retrieved September, 2020 from: <https://www.export.gov/tradefinanceguide> (<https://www.export.gov/tradefinanceguide/>)
2. US International Trade Administration (ITA) Retrieved September, 2020 from: <https://www.trade.gov/about-us> (<https://www.trade.gov/about-us/>)
3. GlobalEdge Michigan State University Broad College of Business. Retrieved October, 2020 from: <http://globaledge.msu.edu/>
4. GlobalEdge Online Course Modules. Retrieved October, 2020 from: <http://globaledge.msu.edu/reference-desk/online-course-modules>
5. World Trade Organization Resources. Retrieved October, 2020 from: [https://www.wto.org/english/res\\_e/res\\_e.htm](https://www.wto.org/english/res_e/res_e.htm)

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