



## Course Outline

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Marketing and International Business  
School of Business & Economics  
IBUS 3530 - **3.00** - Academic

International Trade Finance

## Rationale

As part of the revisions to the International Business Major, Minor and Post-baccalaureate Diploma, International Trade Finance was moved from the 4th year to 3rd year level.

## Calendar Description

Students develop an understanding of the finance principles required to conduct business in a global environment, including import and export, and multinational operations. Topics include globalization; trade risk and risk assessment; methods of payment; use of bonds, guarantees, and letters of credit; currency risk management; export credit insurance; trade finance; structure trade finance; terms of payment; international trade theory; the international monetary market; the global capital market; and foreign direct investment.

## Credits/Hours

**Course Has Variable Hours:** No

**Credits:** 3.00

**Lecture Hours:** 3.00

**Seminar Hours:** 0

**Lab Hours:** 0

**Other Hours:** 0

*Clarify:*

**Total Hours:** 3.00

**Delivery Methods:** (Face to Face)

**Impact on Courses/Programs/Departments:** None

**Repeat Types:** A - Once for credit (default)

**Grading Methods:** (S - Academic, Career Tech, UPrep)

## Educational Objectives/Outcomes

1. Summarize international business management and the main drivers of international business strategies.
2. Discuss the main entry strategies into foreign markets.
3. Identify export and import sources of financing.
4. Describe the importance of financial planning in international trade.

5. Explain trade risk analysis and management.
6. Describe the process of exporting goods with an emphasis on the payment and documentation circuits.
7. Describe the forms of international finance and payment mechanisms.
8. Explain the nature and use of export credit insurance in reducing risk.
9. Identify forms and sources of official trade finance.
10. Identify alternatives to conventional financing.
11. Explain the use of performance bonds and guarantees.
12. Define factoring and forfeiting.
13. Describe the main international and multilateral institutions related with International trade operations.

## **Prerequisites**

FNCE 2120-Financial Management or  
FNCE 3120-Finance  
IBUS 3510-International Business

## **Co-Requisites**

## **Recommended Requisites**

## **Exclusion Requisites**

BBUS 4520-International Trade Finance  
IBUS 4520

## **Texts/Materials**

### **Textbooks**

1. **Required** Grath, Anders. *The Handbook of International Trade and Finance: The Complete Guide to Risk Management, International Payments and Currency, Bonds and Guarantees, Credit Insurance and Trade Finance*, 2nd ed. Kogan Page Ltd., 2012

## **Student Evaluation**

The Course grade is based on the following course evaluations.

**Term tests 20-30%**

**Quizzes 0-10%**

**Participation/attendance 0-10%**

**Group case studies/research projects/assignments 20-30%**

**Final exam 20-30%**

**Mid-term and final exams must not make up more than 70% of evaluation and group work must not make up more than 50%.**

## **Course Topics**

1. Globalization  
What is globalization?

- The emergence of global institutions
- Drivers of globalization
- The changing demographics of the world economy
- The globalization debate
- Managing in global marketplace

## 2. Trade Risks and Risk assessment

- International trade practices
- Product risks
- Commercial risks (purchaser risks)
- Commercial risks (purchaser risks)
- Adverse business risks
- Political risks
- Currency risks
- Financial risks

## 3. Methods of Payment

- Different methods of payment
- Bank transfer (bank remittance)
- Cheque payments
- Documentary collection
- Letter of credit
- Counter-trade

## 4. Bonds, Guarantees and Standby Letters of Credit

- The use of bonds and guarantees
- Common forms of guarantee
- Demand guarantees
- Standby letters of credit
- The structure and design of guarantees

## 5. Currency Risk Management

- Currency risk
- The currency markets
- Currency exposure
- Hedging currency risks
- Practical currency management

## 6. Export Credit Insurance

- A mutual undertaking
- The private sector insurance market
- Export credit agencies
- Investment insurance

## 7. Trade Finance

- Finance alternatives
- Pre-shipment finance
  - Supplier credits
  - Refinancing of supplier credits
- Buyer credits
- The international money market

## 8. Structured Trade Finance

- International leasing
- Lines of credit and local currency finance
- Project finance and joint venture
- Multilateral development banks

## 9. Terms of Payment

- Terms of payment and cash management
- Contents of the terms of payment
- Structure of the terms of payment
- Composite terms of payment
- The final design of the terms of payment

## 10. International Trade Theory

- An overview of trade theory
- Mercantilism
- Absolute advantage
- Comparative advantage
- New trade theory
- National competitive advantage

## 11. International Monetary Market

- The gold standard
- The Breton Woods system
- The collapse of the fixed exchange rate system
- The floating exchange rate regime
- Fixed versus floating exchange rates
- Exchange rate regimes in practice
- Crisis management by IMF

## 12. The Global Capital Market

- Benefits of the global capital market
  - Global capital market risks
  - The Eurocurrency market
  - The global bond market
  - The global equity market
- Foreign exchange risk and the cost of capital

### 13. Foreign Direct Investment (FDI)

- FDI in the world economy
  - Theories of FDI
  - Political ideology and FDI
  - Benefits and costs of FDI
- Government policy instruments and FDI

## **Methods for Prior Learning Assessment and Recognition**

As per TRU Policy

### **Last Action Taken**

Implement by Submission Preview Subcommittee Chair Joanne (Retired) Moores

Current Date: 29-Oct-20

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