**MAF306 – International Finance and Investment**

***Trimester 2, 2021***

**Assessment 1A – Group Business Report**

**Assignment Critical Information Summary**

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| **DUE DATE AND TIME:** | Sept 5, 2021, 8PM |
| **FORMAT:** | Business Report |
| **PERCENTAGE OF FINAL GRADE:** | 25% |
| **APPROACH:** | Group Assignment (3 members) |
| **LENGTH:** | Maximum 3000 words |

## Learning Outcome Details

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| **Unit Learning Outcome (ULO)** | **Graduate Learning Outcome (GLO)** |
| **ULO2**: Critically analyse and evaluate exchange rate determination and risk exposure management of business financing and investment activity. Consider these impacts on multi-national companies and countries, in order to review and implement appropriate risk management strategies. | **GLO1:** Discipline-specific knowledge and capabilities  **GLO4:** Critical thinking |
| **ULO3**: Demonstrate individual accountability in collaboratively planning and implementing a research-based team-project. | **GLO1:** Discipline-specific knowledge and capabilities  **GLO7:** Teamwork |

## Assessment Feedback:

Students who submit their work by the due date will receive their marks and feedback on CloudDeakin within 15 working days.

**Assignment Description / Requirements**

### Assignment Context

The outbreak of COVID-19 has brought numerous effects on our lives. We are all familiar with and fearful of the eventful economic impacts of the crisis, including the impact on financial markets, institutions and businesses. The extent of impact and its consequence is so enormous that it has defeated all prior research estimations of the impact of a pandemic. For example, Fan, Jamison and Summers (2018) in their research estimated that the annual losses from a pandemic risk to be approximately US$500 billion, or 0.6% of global income. However, that estimated large sum of US$500 billion loss is nothing in light of the ongoing costs from the COVID-19 pandemic. ([John Hopkins University](https://coronavirus.jhu.edu/map.html) regularly publishes the latest COVID-19 data from around the world).

The COVID pandemic has severely impacted multinational corporations (MNCs) and foreign direct investment (FDI) in developing countries, jeopardizing these firms’ contributions to crucial development outcomes. In addition to bringing capital to developing countries, MNCs are key drivers of global trade, [accounting for about 80 percent of total exports](https://unctad.org/en/PublicationsLibrary/wir2013_en.pdf). FDI can drive economic transformation by [introducing new technologies and best practices](https://www.worldbank.org/en/publication/wdr2020) in developing countries.

In Asia Pacific, various rating agencies estimate that corporate balance sheets may recover slowly from 2nd half of 2021, *albeit*, at a slow pace. Furthermore, this may not be enough to stabilize credit quality yet. Even within countries, there are significant recovery differences expected, depending on the corporate’s industry segment of operation. Foreign Direct Investment (FDI) could play an important role in supporting host economies during and after the crisis through financial support to their affiliates, assisting governments in addressing the pandemic, and through linkages with local firms. However, the complex geo-political environment, trade war and frequent policy changes at the government level are making it challenging for the MNCs to make firm decisions in regard to FDI.

**Assignment Tasks and Objectives**

You and your team are part of the Country Risk Assessment Division (CRAD) in the Fitch Ratings agency. The CRAD provides business reports to private companies considering investing in emerging nations. BlackGold Coal, an Australian based coal producer, is a medium sized private company producing various grades of coals. BlackGold currently exports their coals to China but their director – **L J Calloway** – approaches your division with his dilemma:

1. Should he consider other emerging nations, despite their risks? Provide arguments in your favour.
2. Should he consider other foreign investment strategies to enter these new emerging markets? Provide arguments in your favour.
3. **Calloway** is aware of foreign exchange risk once he moves from the domestic to the international market but does not really know what exchange rates are in operation in various countries. Hence, he asks your team to evaluate at least two FX derivative strategies and recommend the best FX management strategy to manage the unknown FX risks in those countries.

**L J Calloway** requires your team to consider and evaluate CHINA and TWO other emerging nations, one each from the following groups:

Group 1: Bangladesh, Brazil, India, South Africa and Vietnam

Group 2: Mexico, Indonesia, Malaysia, Nigeria and Turkey

## Assignment Objective

This group assignment requires the following to be completed and submitted:

A team business report of approximately 3000 words that provides a business report that assesses, compares and evaluates emerging nations in terms of their exchange rates, their country risk profile, FDI opportunities and FX risk management strategies.

You will also be required to complete an individual reflection (Assessment 1B) of a maximum of 500 words that evaluates and reflects on the team – see Assignment Part B instructions (in a separate document) worth 5%.

## Assignment Group Formation and Registration

This is a group assignment. Each group consists of 3 persons.

You will need to REGISTER your group in the Cloud Deakin site for Group Assignment 1A (Business Report). Under the tab “More” you will find *Groups*, click on this and it takes you to the Group folders where you will self-enroll in a numbered box with your group members. There are private discussion and group lockers attached to your group (where you can share documents, resources, and “talk” privately with your group members.

## Tasks

**Country Analysis:**

Your consulting group selects three countries for review. The group will produce a business report detailing the findings and critical analysis of their market research and provide CRAD with a review of each country that addresses the following:

* 1. What are the current exchange rate regimes for the countries you have chosen? Have they experienced any currency crises in the past and/or changed their ER regime? Do any of these countries have capital control or have government intervention in managing their ERs?
  2. Undertake a country risk analysis of each country, considering political, economic, and financial risks.
  3. Review the types of foreign investment strategies that CRAD could consider and evaluate which strategies you would suggest to L J Calloway for each country and why.
  4. Evaluate two FX derivative strategies and recommend the best FX management strategy to manage the unknown FX risks in those countries you have chosen.

**Comparative analysis – which country should L J Calloway invest in and which strategy should he use?**

Your country risk assessment group meets to:

* Critically analyze the findings of their qualitative and quantitative analysis of each country to provide a risk rating.
* Provide a report which has reviewed each country and their risk rating and ranks the three countries to provide L J Calloway with a recommendation of where he should invest and what strategies he should incorporate to minimise the risk of investing in an emerging nation. Ensure you justify your groups’ decision.

## Submission Instructions

1. ***Style –*** Your assignment must comply with the formal report style. This means that you need to devise section headings appropriate to the material you will cover. If you don’t know what an Executive Summary and a Letter of Transmittal is, please check online, so you know what format it should take.
2. ***The structural elements are not included in the word count, but are required in your report and consist of:***

* Executive Summary
* Letter of Transmittal
* Referencing and reference list

You will find a report format for this assignment on the CloudDeakin site. For more information on report writing, go to: [http://www.deakin.edu.au/students/study-support/academic-resources/report-writing.](http://www.deakin.edu.au/students/study-support/academic-resources/report-writing)

1. ***Management of team tasks*** *-* There are a number of ways your team can manage the required tasks. For example, your team can require each student to research and write-up some sections of the report. Or you can determine that you will work more co-operatively on all areas together.
2. ***Individual Reflective Statement*** *-* must be submitted and will document how the team functioned and how roles and responsibilities were allocated. See Part 2B instructions.

**Upload Instructions**

1. The report is to be uploaded/submitted **ONLINE ONLY**. A single report for the group as a whole, must be submitted into the **Dropbox available** on the MAF306 Cloud Deakin site, via **Assignment 1A Dropbox**. The assignment drop box will not become visible to you until you have created a group and group member has completed the plagiarism statement!
2. Instructions on how to upload your individual reflective assessment will be provided in Assignment 1B.
3. Team details (team number, members’ names and IDs) must be provided with this assignment on the front page. This can be included in the message area of the Assignment Dropbox.

**Late submission**

In accordance with University’s policy, the following marking penalties will apply if you submit an assessment task after the due date without an approved extension: 5% will be deducted from available marks for each day up to five days, and work that is submitted more than five days after the due date will not be marked. You will receive 0% for the task. 'Day' means working day for paper submissions and calendar day for electronic submissions. The Unit Chair may refuse to accept a late submission where it is unreasonable or impracticable to assess the task after the due date.

Extensions can only be approved by the Unit Chair. Extensions can be granted for documented serious illness (not just on the day the assignment is due!) or for compassionate reasons under extenuating circumstances. The unit chair can ask to see how much work has been completed before granting an extension. Work or holiday reasons are NOT grounds for an extension – you are expected to manage these issues as part of your studies.

You are strongly encouraged to start early and **to continually backup your assignment** as you progress. Computer crashes or corrupted files will NOT be accepted as valid reasons for an extension of any length.

For further information about Special Consideration, visit

<http://www.deakin.edu.au/students/assessments/special-consideration>

**Referencing**

You **must** correctly use the [**Harvard style of referencing**](http://www.deakin.edu.au/students/study-support/referencing/harvard)in any written elements of this assessment.

**Academic Integrity, Plagiarism and Collusion**

Plagiarism and collusion constitute extremely serious breaches of academic integrity. They are forms of cheating, and severe penalties are associated with them, including cancellation of marks for a specific assignment, for a specific unit or even exclusion from the course. If you are ever in doubt about how to properly use and cite a source of information, consult your lecturer or the Study Support website: <http://www.deakin.edu.au/students/study-support/referencing>

* Plagiarism occurs when a student passes off as the student’s own work, or copies without acknowledgement as to its authorship, the work of any other person or resubmits their own work from a previous assessment task.
* Collusion occurs when a student obtains the agreement of another person for a fraudulent purpose, with the intent of obtaining an advantage in submitting an assignment or other work.

Work submitted may be reproduced and/or communicated by the university for the purpose of assuring academic integrity of submissions:

<http://www.deakin.edu.au/students/study-support/referencing/academic-integrity>

**Turnitin/Similarity**

* Highly recommended range: 0-20%
* Acceptable range: 21-25%
* Undesirable range: 26-29%
* Must not exceed 30%

Template for the Report

1. Executive summary (a summary of your report, maximum one page) – words not counted.
2. Letter of transmittal (maximum one page) – words not counted.
3. Introduction: 200 words
4. Main research contents
   1. Research question 1: 500-600 words
   2. Research question 2: 500-600 words
   3. Research question 3: 500-600 words
   4. Research question 3: 500-600 words
5. Group reflection on the performance of all three countries and recommendation (research questions a-d): 400-500 words
6. References/Bibliography – words not counted.

**Step-by-Step Guide**

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|  | *Task* | *Additional Information* |
| *1* | *Prepare Letter of Transmittal* | *Provide a Transmittal or Cover Letter to accompany your report* |
| *2* | *Undertake a country risk analysis of each country, considering political, economic and financial risks.* | *For each country please address the following:*   * *What are the political, economic and financial risks that you client would face?* * *What are the current exchange rate regimes for each country?* * *Have they experienced any currency crises in the past and/or changed their ER regime?* * *Do any of these countries have capital controls or have government intervention in managing their ERs?* * *What types of foreign investment strategies could your client consider for each country?* * *What FDI and FX risk management strategies would you suggest to your client for each country and why?* |
| *3* | *Perform a comparative analysis to advise the client of the preferred country and investment strategy.* | *- Critically analyse the findings of the team’s qualitative and quantitative analyses of each country to identify the risks*  *- Provide a risk rating*  *- Rank the countries under consideration*  *- Determine an appropriate investment strategy* |
| *4* | *Review and recommend investment strategy and which country is the most suitable* | *Provide your client with a recommendation of where his company should invest and what strategies he should incorporate to minimise the risk of investing in an emerging nation. Ensure you justify your groups’ decision.* |

**Suggested reading that may help you to get you started:**

1. Textbook: Multinational Financial Management/Shaprio\_Hanouna (10th or 11th Edition).
2. Asongu, S., Akpan, U.S. and Isihak, S.R., 2018. Determinants of foreign direct investment in fast-growing economies: evidence from the BRICS and MINT countries. *Financial Innovation*, *4*(1), pp.1-17.