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# International Finance, Accounting and Taxation

**Professor:** Luz Parrondo and Toni Prat i Jorba

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**Office hours:** by appointment

**Course Type:** Compulsory

**Credits:** 6 ECTS

**Term:** 2nd & 3rd Term

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## Course Description

### **International Finance and Accounting**

**Accounting:** The course provides the student with the needed skills to build, understand and analyze the Financial Statements of a company. Students will apply different methods in order to evaluate the firm's financial situation. Additionally, it delivers techniques to measure the cash flows and value the companies. It also provides students with the required tools to evaluate the company's financing structure, the costs allocation systems and the implication of potential investments. Finally, students will have a better understanding of the working capital management as a key factor of the firm's financial strength.

**International finance:** Financial concepts and mechanisms that affects the Companies in an international environment. Foreign currency management and hedging. Capital structure, financing and cost of capital for Multinational Companies (MNC).

### **International Taxation**

In international trade, taxation is becoming a key issue and a growing area of importance due to the complexity of operations and worldwide players and the number of rules in the international context.

In any transaction, there is a possible taxation that may be deemed either in the country where the transaction is taking place, or the residency of the companies

## MSc in International Business

Note: This document is for informational purposes only. Course contents and faculty may change.

involved. Thus, the correct decision will necessarily consider the risk involved and a clear picture on net investment return. This allows for an understanding the net cash after paying the corresponding taxes that will be collected.

In a global economy, it may seem legality and taxation should be uniform, but it is not. Taxation is still regulated by bilateral agreements between countries.

That implies that it is necessary to understand the tax treaties' schemes, OCDE regulations and international rules to avoid double taxation and any liability. Such questions will be analyzed in class to have a general knowledge and understanding of the key issues that may rise on international trade.

## Objectives

### **International Finance and Accounting**

The course pretends to give the student the needed skills to analyze the international financial environment, not only learning different techniques of the way to hedge the risks involved in the international financial transactions, but also to take profit of them. We must learn how profit from the internationalization of the enterprises in all the different aspects, including the financial one. Topics in financial management, viewed primarily from the perspective of managers doing business overseas, include the management of foreign exchange exposure, foreign direct investment decisions, and multinational capital budgeting. Other topics covered include trends in international banking, the balance of payments, the determination of exchange rates, and the Asian meltdown. We will also examine the challenges and problems faced by firms planning to do business internationally.

### **International Taxation**

This part comprises four classes. The main objective is to understand the tax system, especially international to apply it in international business and transactions.

## Methodology

### **International Finance and Accounting**

Classes will consist in theoretical explanation supported by different cases and exercises to be developed in the classroom. Besides that, students will be responsible for solving for the following session several cases, exercises or tests as homework.

In case of COVID-19 confinement, theoretical classes will be through an online platform (Collaborate, Zoom or equivalent) during approximately two hours. The session will be recorded for further consultations. Direct attendance is encouraged, as we will engage in class debates and exercises (including tests). These sessions will be complemented with other media material (videos and chats), and with due assignments.

The competences, the learning outcomes, the assessment elements and the quality of the learning process included in this Teaching Plan will not be affected if during the academic trimester the teaching model has to switch either to an hybrid model (combination of face-to-face and on-line sessions) or to a complete on-line model.

### **International Taxation**

Course material will be provided at the end of every class. The class will consist in teacher explanation previous homework to introduce into each subject. Exercises will be done in class to reinforce the teaching.

## Evaluation criteria

The weight on the Final Grade is as follows:

### **International Finance and Accounting**

- 5% Class tests and participation.
- 15% Class tests and home exercises.
- 40% Accounting exam (second term exam week).
- 40% Finance exam (third term exam week).

### **International Taxation**

- 10% Test Questions.
- 60% Conceptual development questions and a numeric exercise.
- 30% Homework and class participation.



### **Total course**

The final grade will average 80% Accounting and Finance and 20% Taxation.

Students need to obtain a minimum of 4 in each exam (accounting, finance and taxation) to average with the rest of the evaluation elements. This condition applies to both the regular exams and the retake exams. The final course grade of students that do not obtain a minimum of 4 in any exam will be the minimum between 4 and the final grade computed from the different evaluation elements (with the weights set above).

Students that fail one exam will have a retake for that specific topic (accounting, and/or finance and/or taxation) which will be programmed in accordance with the academic calendar.

Students are required to attend 80% of classes. Failing to do so without justified reason will imply a Zero grade in the participation/attendance evaluation item and may lead to suspension from the program

As with all courses taught at the UPF-BSM, students who fail the course during regular evaluation will be allowed ONE re-take of the examination/evaluation. If the course is again failed after the retake, students will have to register again for the course the following year.

In case of a justified no-show to an exam, the student must inform the corresponding faculty member and the director of the program so that they study the possibility of rescheduling the exam (one possibility being during the “Retake” period). In the meantime, the student will get an “incomplete”, which will be replaced by the actual grade after the final exam is taken. The “incomplete” will not be reflected on the student’s Academic Transcript.

Plagiarism is to use another’s work and to present it as one’s own without acknowledging the sources in the correct way. All essays, reports or projects handed in by a student must be original work completed by the student. By enrolling at any UPF-BSM Master of Science and signing the “Honor Code,” students acknowledge that they understand the schools’ policy on plagiarism and certify that all course assignments will be their own work, except where indicated by correct referencing. Failing to do so may result in automatic expulsion from the program.”

## Calendar and Contents

### **International Finance and Accounting**

Term: Second term and third term

Number of credits: 4.8 ECTS

Total number of hours committed: 48 h of class + 72 h of out-of-class work

Timetable: Second term: Mondays, 9.30h - 13.00h. Third term Wednesdays 9.30h - 13.00h.

Exam: Wednesday 22<sup>th</sup> March 10.30h - 12.00h.

### **International Taxation**

Term: third term

Number of credits: 1.2 ECTS

Total number of hours committed: 12 h of class + 18 h of out-of-class work

Timetable: Wednesdays 9.30h - 13.00h.

Exam: Tuesday 20<sup>th</sup> June 10.30h-12.00h.

## Content program

### Part 1: Basics in Financial Accounting

1. Main Financial Statements
2. Balance Sheet
3. Income Statement
4. Cash Flow Statement
5. Working capital analysis
6. Profitability and growth
7. Credit risk analysis

### Part 2: Cost Accounting

1. Direct and Indirect Costs
2. Variable and Fixed Costs
3. Costs Allocation
4. Break-even Costs

### Part 3: Environment of international finance economics

1. Introduction
2. The Theory of Exchange Rate Determination
3. The International Monetary System
4. Parity Conditions in International Finance

### Part 4: The Currency and Derivative Markets

1. The Foreign Exchange Market
2. Futures, forwards and Options on Foreign Exchange
3. Swaps

### Part 5: Risk Exposure

1. Translation Exposure
2. Transaction Exposure
3. Economic Exposure

### Part 6: International taxation

1. Introduction to taxation.
2. The concept of tax, tax legislation and how it is applicable to countries of the OECD framework will be analyzed. The different types of taxes will also be discussed.
3. Different taxes that apply to OCDE countries.
4. Direct and indirect taxes, how they work and the implications on international trade will be examined.
5. Taxation of non-residents.
6. The treatment of resident tax payers and non-residents that act in international transactions, International taxation for companies that act as non-residents and the mechanisms to avoid double taxation will be covered.
7. Definition of permanent establishment.
8. The permanent establishment.

9. International tax planning.
10. Analysis of different investment schemes and business models to perform investments in multinational markets.

## Reading Materials/ Bibliography/ Resources

### International Finance and Accounting

#### *Accounting:*

POWERS & NEEDLES. Financial Accounting. South-Western, Cengage Learning (11th edition). 2010

CHARLES H. GIBSON. Financial Statement Analysis. South-Western, Cengage Learning (12th edition). 2009

POWERS & NEEDLES. International Financial Reporting Standards. An introduction. South-Western, Cengage Learning (3rd edition). 2010

PALEPU, HEALY & PEEK. Business Analysis and Valuation IFRS Edition. South-Western, Cengage Learning (2nd edition). 2010

COLIN DRURY. Management and Cost Accounting. Cengage Learning (8th edition). 2012

#### *Finance:*

MADURA, JEFF . International Financial Management. Andover : Cengage. 2020.

SHAPIRO, ALAN C. & PETER MOLES. International Financial Management . Hoboken (NJ): John Wiley & Sons Ltd. 2014.



## Learning Outcomes

- Show the necessary knowledge for the control and management of financial operations, emphasizing accounting and financial aspects
- Know the basic principles of financial and banking calculation and be able to decide which is the best and most appropriate means of financing
- Know from a practical point of view what are the sources of financing of companies in their usual international trade operations, whether of public or private origin
- Know the methods of valuation of companies
- Know the most common documents and means of payment in foreign trade and the rules of the International Chamber of Commerce of Paris that regulate them
- Understand the currency markets, their operation, risk and coverage possibilities, as well as the different types of guarantees and guarantees that exist in international trade
- Know the political and commercial risks inherent in international operations and their coverage through public and private insurance companies.
- Apply the different concepts that are contemplated in a country risk analysis, both at a political and economic level and the valuation and use of each one that must be made depending on the investment to be made.
- Show knowledge of international taxation: direct and indirect taxation on income and investment and international agreements on tax matters.

## Competencies

### Basic competences

CB7. That students know how to apply the acquired knowledge and their ability to solve problems in new or little-known environments within broader (or multidisciplinary) contexts related to their area of study.

CB8. That students are able to integrate knowledge and face the complexity of formulating judgments based on information that, being incomplete or limited, includes reflections on the social and ethical responsibilities linked to the application of their knowledge and judgments.

CB10. That students possess the learning skills that allow them to continue studying in a way that will be largely self-directed or autonomous.

### General Competences

#### *Instrumental skills*

G1. Search, analysis, evaluation and synthesis of information. Managing the information acquired from its analysis, its assessment and the synthesis of that information.

G3. Communicate orally and in writing in English

#### *Personal generic competencies*

G6. Put into practice the essential elements to be able to carry out a negotiation.

#### *Systemic generic competencies*

G7. Understand an organization with a global perspective.

#### *Competencies for applicability*

G10. Make the knowledge and skills acquired effective in an advanced way.

G11. Apply quantitative criteria and qualitative aspects in decision making.

### Specific Competences

E2. Mastering the internal analysis of the company to diagnose the viability of starting the first phase of internationalization and consolidating the process

E3. Train to diagnose the viability of rationalizing the internationalization resources of the multinational company.

E17. Recognize and apply financial information, systems, and models to develop international financial operations.

## Bio of Professors

### **Luz Parrondo (International Finance and Accounting)**

Luz Parrondo serves as the Director of the Finance and Control Department at the UPF Barcelona School of Management. Director of Master's in Financial Management and the Postgraduate in Blockchain and other DLTs. Lecturer at Universitat Pompeu Fabra. PhD in Economics, Finance and Management awarded by Pompeu Fabra University (UPF). As a researcher, she specializes in the study of financial management, with special emphasis on the impact of new technologies in the financial, accounting and auditing sector, in profit management, risk management and corporate social responsibility. Member of the Academic Advisory Body (AAB) of the International Association for Trusted Blockchain. Member of multidisciplinary academic working group on the DLT BAWG – Blockchain & Academia Working Group. Since 2015, she coordinates the professional journal RCD and since 2018 is member of the REA Auditors technology commission. As a professional, Dr. Parrondo worked as Financial Controller and as a Financial Manager in several SMEs in Barcelona. Innovation must never stop.

### **Toni Prat (International Taxation)**

Toni Prat is an International Partner of Andersen Tax & Legal and Managing Partner of the Barcelona office, as well as member of the Advisory Board and European Board of Andersen Global. He is the Director of the Tax Department of the Barcelona office. Toni has more than 20 years of professional experience, having started his professional career in Arthur Andersen and Garrigues, and later founding his own firm; Global Abogados.

He has experience in tax advice, commercial and corporate law, private equity.

Throughout his career, he has advised companies from different sectors; Industrial and production, energy and energy efficiency, sports and entertainment, technology, e-commerce, health, financial and consulting, among others.

Toni has extensive experience representing private equity funds and small and medium-sized enterprises in commercial transactions, including business restructuring, reporting, negotiation and legal direction in merger, acquisition, divestment, leverage, recapitalization and private investment projects.

Toni has been ranked by Best Lawyers legal directory, as one of the leading tax lawyers in Spain.