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# International Finance, Accounting and Taxation

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

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**Office hour:** by appointment

**Course type:** Compulsory

**Credits:** 6 ECTS

**Term:** 2nd and 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 analyse 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 evaluate 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 working capital management as a key factor of the firm's financial strength.

**International finance:** Financial concepts and mechanisms that affect 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 involved. Thus, the correct decision will necessarily consider the risk involved and a clear picture on net investment return. This allows for an understanding of 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 from them. We must learn how to 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

Indicate whether you are using case-studies, class discussion, exercise... and explain the teaching method

### **International Finance and Accounting**

Classes will consist of theoretical explanations 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.

### **International Taxation**

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

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 a hybrid model (combination of face-to-face and on-line sessions) or to a complete on-line model.

### **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**

A written assessment consisting of three parts

- test questions
- conceptual development questions and
- a numeric exercise 60% of the final grade.

Homework and class participation. 30 % of the final grade.

#### **Total course**

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

Students need to obtain a minimum of 4 in the final exam to pass the course. This condition applies to both the regular exam and the retake exam. The final course grade of students that do not obtain **a minimum of 4 in the 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 the evaluation of the course will have a retake exam opportunity that will be programmed in accordance with the academic calendar. If a student has to retake the exam, his **maximal grade for the course will be a 5**.

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

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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. Students that pass any Retake exam should get a **5 by default as a final grade for the course**. 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(s) 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: Fridays, 9.30-13.00 Third term Wednesdays 9.30-13.00

### **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 9.30-13.00

### **1. Part 1: Basics in Financial Accounting**

#### **1.1. Main Financial Statements**

- 1.1.1. Balance Sheet
- 1.1.2. Income Statement
- 1.1.3. Cash Flow Statement

#### **1.2. Working capital analysis**

#### **1.3. Profitability and growth**

#### **1.4. Credit risk analysis**

### **2. Part 2: Cost Accounting**

#### **2.1. Direct and Indirect Costs**

#### **2.2. Variable and Fixed Costs**

#### **2.3. Costs Allocation**

#### **2.4. Break-even Costs**

### **3. Part 3: Environment of international finance economics**

#### **3.1. Introduction**

#### **3.2. The Theory of Exchange Rate Determination**

#### **3.3. The International Monetary System**

#### **3.4. Parity Conditions in International Finance**

### **4. Part 4: The Currency and Derivative Markets**

#### **4.1. The Foreign Exchange Market**

- 4.2. Futures, forwards and Options on Foreign Exchange
- 4.3. Swaps

## 5. Part 5: Risk Exposure

- 5.1. Translation Exposure
- 5.2. Transaction Exposure
- 5.3. Economic Exposure

## 6. Part 6: International taxation

- 6.1. Introduction to taxation.  
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.
- 6.2. Different taxes that apply to OCDE countries.  
Direct and indirect taxes, how they work and the implications on international trade will be examined.
- 6.3. Taxation of non-residents.  
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.
- 6.4. Definition of permanent establishment.  
The definition of permanent establishment is a key issue where taxes are applied. Business models of multinational corporations will be studied.
- 6.5. International tax planning.  
We will analyze the 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. SouthWestern, 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:

JEFF MADURA. International Financial Management.

ALAN C. SHAPIRO, PETER MOLES. International Financial Management

## Bio of Professor

### International Finance and Accounting

**Luz Parrondo:** Director of the Finance and Control Department at the UPF Barcelona School of Management. Director of Master 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..

### 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.