

THE USE OF CLASSROOM SIMULATIONS IN THE STUDY OF FOREIGN EXCHANGE

George S. Lowry, Edward D. Showalter, Cathy L. Staples

Department of Economics/Business

Randolph-Macon College, P. O. Box 5005, Ashland, VA 23005-5505

glowry@rmc.edu; eshowalt@rmc.edu; cstaples@rmc.edu

This workshop will demonstrate a classroom foreign exchange simulation using modifications to a popular board game. Used for the past 4 years in several international business and international finance courses, the simulation employs four currencies with several exchange rate regimes. Its use not only develops increased student proficiency in handling foreign exchange calculations, but also allows deeper and broader comprehension of strategies firms employ to hedge against transaction risk.

In addition to explaining the modifications to the board game and the mechanics of running the simulation, this workshop will explain the use of a stylized form for data collection by students. These data provide a basis for preparation and presentation of the strategies employed, as well as a standardized performance reporting mechanism. More importantly, however, is the use of the student-generated data in the creation of operating cash flow statements that feed into the analytic models used in the study and practice of international finance.

The use of the simulation generates a high level of student engagement, not only through playing the game, but also in taking ownership of the data. Additionally, students engage quickly in a simulation familiar to them, allowing them to focus on transactions, record keeping, and analysis. They also build document preparation and presentation skills.

Attendees will be allowed sufficient time for questions and will walk away with sample output and ideas for expanding the use of simulations to other classes, such as accounting, policy/strategy, and capstone courses.