

CHAPTER OVERVIEW

11: International Finance

Learning Objectives

After completing this chapter, students should be able to

- Identify and discuss reasons why firms engage in international operations
- Identify and discuss challenges/risks associated with international operations
- Define a fixed exchange rate system and a floating exchange rate system
- Identify and discuss factors that may cause the currency to strengthen or weaken
- Convert between an indirect quote and a direct quote for exchange rates
- Convert from dollars to a foreign currency or from a foreign currency to dollars given either an indirect or direct exchange rate
- Identify whether a currency is getting stronger or weaker relative to another currency given either indirect or direct exchange rates
- Identify who benefits or suffers from a currency getting stronger or weaker (first-level effect)
- Calculate cross-currency exchange rates (given two exchange rates with the dollar, calculate the exchange rate between those two foreign currencies)
- Differentiate between spot and forward exchange rates
- Discuss and differentiate between hedging exchange rate risk and speculating on exchange rate fluctuations
- Identify and discuss advantages to international investing
- Compare the size of the US equity market to global equity markets
- Identify and discuss key approaches to adding international equity exposure

[11.1: Why Do Firms Establish International Operations?](#)

[11.2: Difficulties in International Operations](#)

[11.3: Currency Issues](#)

[11.4: Factors Influencing Exchange Rates](#)

[11.5: Types of Currency Quotations](#)

[11.6: Currency Conversion](#)

[11.7: Strengthening vs. Weakening Currencies](#)

[11.8: Cross Currency Exchange Rates](#)

[11.9: Spot vs. Forward Rates](#)

[11.10: Hedging vs. Speculating](#)

[11.11: International Investing](#)

[11.12: Key Takeaways](#)

[11.13: Exercises](#)

[11.14: Problems](#)

[11.15: References and Attributions](#)



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