



International Business

Chapter 7 Foreign Exchange and International Finance

(a) account payable, (b) account receivable, (c) bill of exchange, (d) bond, (f) capital project, (g) commercial invoice, (h) credit terms, (i) currency futures, (j) electronic funds transfer (EFT), (k) exchange controls, (l) exchange rate, (m) floating exchange rates, (n) foreign exchange, (o) foreign exchange market (p) hard currency, (q) insurance certificate, (r) interest rate, (s) international Monetary Fund (IMF), (t) letter of credit, (u) money, (v) promissory note, (w) soft currency, (x) trade credit, (y) World Bank

1. _____ The network of banks and other financial institutions that buy and sell different currencies..
2. _____ The amount of currency of one country that can be traded for one unit of the currency of another country.
3. _____ The cost of using someone else's money..
4. _____ Anything people will accept for the exchange of goods and services..
5. _____ A currency that is not easy to exchange for other currencies.
6. _____ A certificate representing money borrowed by a company over a long period of time.
7. _____ Buying or selling on account.
8. _____ An expensive, long-term financial activity..
9. _____ Contracts to purchase a foreign currency at today's rate with payments and delivery at a later date for a fee.
10. _____ A financial document issued by a bank for an importer in which the bank guarantees payment .
11. _____ Government restrictions to regulate the amount and value of a nation's currency.
12. _____ A monetary unit that is freely convertible into other currencies.
13. _____ A method of moving payments from country to country through banking computer systems.
14. _____ A system in which currency values are based on supply and demand.

Reviewing your Reading

1. What are the five characteristics of money?
2. What are the three main purposes of money?
3. What is an exchange rate?
4. How does a country's balance of payments affect the value of its currency?
5. How does risk affect the cost of borrowing money?
6. How does political instability affect the value of a country's?
7. What is the difference between soft currency and hard currency?
8. What purpose do exchange controls serve?
9. What is the World Ban?
10. What are the main activities of the International Monetary Fund?
11. What are three common payment methods for international business transactions?
12. Why do capital projects usually require a company to borrow money?

	We Buy	We Sell	Tourists Cheques
Belgium	6.84	6.92	6.78
Denmark	12.35	11.6	12.25
Ireland	12.0	11.9	12.0
France	10.4	10.0	10.0
Greece	240.00	240.00	
Holland	36.5	34.0	36.5
Italy	2340.00	2250.00	2340.00
Spain	213.00	200.00	212.00
Sweden	11.75	10.95	11.05
Switzerland	26.0	25.0	26.0
USA	17.53	16.50	17.10
W. Germany	2.25	2.00	2.25