Intermediate Level (Level 1)

Exercise 1: Fill in the Blanks

Objective: Test your understanding of key international finance terms by filling in the blanks with the correct vocabulary.

Instructions:

- Complete the sentences below by filling in the blanks with the correct terms from the list provided.
- After completing the exercise, please post your answers in the student forum to discuss them with your peers and receive feedback.

Terms: **FDI, Eurobond, Sovereign Risk, Currency Swap**

________ refers to an investment made by a company or individual in one country into business interests located in another country.

Apple Inc. issued a ________ valued at $17 billion in 2013 to finance its shareholder return program.

________ is the risk associated with a country defaulting on its financial commitments, like what happened in Argentina in 2001.

A ________ is an agreement to exchange interest payments and principal in different currencies to manage debt more effectively.

Feedback:

Share your completed sentences on the forum. Discuss any uncertainties and provide explanations for your choices. This will help consolidate your learning and correct any misconceptions.

Exercise 2: Matching Terms to Definitions

Objective: Match key terms to their definitions to reinforce your understanding of international finance vocabulary.

Instructions:

- Match each term with its corresponding definition.
- Share your matches in the student groups and explain why you think these matches are correct.

Terms:

Hedge Funds
Derivatives
Capital Controls
Arbitrage

Definitions:

A. Financial instruments whose value is derived from an underlying asset or group of assets.

B. Measures taken by a government to regulate the flow of foreign capital in and out of the domestic economy.

C. The simultaneous purchase and sale of the same asset in different markets to profit from tiny differences in the asset's listed price.

D. Private investment funds that engage in a range of strategies to earn active return, or alpha, for their investors.

Feedback:

Discuss the reasoning behind your matches on the course forum. Engage with feedback from both peers and tutors to deepen your understanding.

Exercise 3: True or False Quiz

Objective: Assess your ability to correctly identify statements about international finance as true or false.

Instructions:

- Answer whether the following statements are true or false.
- Post your answers in the student forum and discuss why you chose **true** or **false** for each statement:

1. Foreign Portfolio Investment involves controlling stakes in foreign companies.

2. LIBOR is a benchmark interest rate at which global banks lend to one another.
3. Capital controls can include limiting the amount of foreign currency that can be exchanged.
4. Derivatives are straightforward financial instruments with inherent values.

Feedback:

Review and discuss each other's answers in the forum. This peer interaction will help you verify your understanding and learn from different perspectives.

Exercise 4: Vocabulary Matching and Application

Objective: Strengthen your understanding of key international finance terms by matching them with their definitions and discussing their application.

Instructions:

Matching Activity: Below are key terms and their corresponding definitions. Match the terms to the correct definitions by writing the letter of the correct definition next to the term.

Discussion: Choose one term, find a recent news article or case study online that illustrates this term in action, and summarise how the term is applied in the article. Post your summary and the link to the article in the student forum to discuss how these concepts are used in real-world scenarios.

Terms:

- Foreign Direct Investment (FDI)
- Foreign Portfolio Investment (FPI)
- Eurobond
- Sovereign Risk
- Derivatives
- Arbitrage

Definitions:

A. The risk that a country will default on its financial commitments.

B. Financial instruments whose value is derived from an underlying asset.

C. An international bond issued in a currency not native to the issuer’s country.

D. An investment in a country by non-residents, mainly in stocks and bonds.

E. The investment from one country into business interests in another country, often involving direct business ownership or control.

F. The simultaneous purchase and sale of an asset to profit from a difference in price in different markets.

Feedback:

After completing the matching activity, share your answers and discussion summary in the student forum. Engage with your peers by providing feedback on their posts and discussing different applications of these terms.

Example of How to Post Your Discussion:

- **Term Used:** Derivatives
- **Article Link:** [See this article]
- **Summary:** In the article, derivatives are used by Company X to hedge against potential losses in commodity prices. The company entered into futures contracts to lock in prices for raw materials needed for production, demonstrating a practical application of derivatives to mitigate financial risk.