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The economic growth of the firm is concerned with the impact that unexpected changes in the value of currency will have on the future cash flow and market value of the firm. It is not necessary that the business sells outside of a nation to be affected by these exposures, any business that is involved in importing raw materials will be affected by this risk. The reason is that the firm belongs to one country and is aiming to sell the same goods in some other country. When the interest rate is high, it leads to benefits for the lenders while a low-interest rate benefits borrowers. When the firm exports goods to a country with a currency that is identical to their cash inflows, it increases the risk of speculating on the fluctuation of the future exchange rate. The uncertainty in future exchange rate increases the risk for shareholders, however, the decision relies on a tradeoff of the expected reduction in financing expenses (Gopinath, n.d.). In other words, when the interest rate is low, the firm can take more loans. Loans on low-interest rate can help firms grow and increase their profitability by providing more money to spend. Through an increase in spending the invoicing of the firm get enough new ventures to pay for the loan interest. Therefore, if a firm requires to consistently borrow funds for production, and exports its final good to a country with the low-interest rates, it will lead to low finance cost and invoicing.

In addition, the high-interest rates increases the domestic currency while low-interest rate lowers the currency's relative value. If there is a decrease in the value of the dollar, the firm's future cash flows will decrease. This will also decrease the market value of the firm as it is expected to receive a lesser amount of cash. An increase in the value of the dollar will have the opposite effect (“Effect of lower interest rates | Economics Help,” n.d.).

**References**

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