### 44 Lecture - MGT201

### **Important Mcqs**

- 1. Which of the following is NOT a risk associated with international finance?
  - a) Political risk
  - b) Exchange rate risk
  - c) Interest rate risk
  - d) Domestic market risk

Answer: d) Domestic market risk

- 2. What is the primary goal of multinational corporations in managing international finance?
  - a) Maximizing shareholder wealth
  - b) Minimizing tax liabilities
  - c) Achieving social responsibility
  - d) Maximizing employee benefits

Answer: a) Maximizing shareholder wealth

- 3. What is the term for the exchange rate at which a currency can be exchanged for another currency?
  - a) Cross rate
  - b) Spot rate
  - c) Forward rate
  - d) Currency rate

Answer: b) Spot rate

- 4. Which of the following is NOT a type of foreign exchange exposure?
  - a) Transaction exposure
  - b) Translation exposure
  - c) Economic exposure
  - d) Interest rate exposure

Answer: d) Interest rate exposure

- 5. What is the term for the difference between a country's exports and imports?
  - a) Trade deficit
  - b) Balance of payments
  - c) Exchange rate
  - d) Foreign direct investment

Answer: a) Trade deficit

- 6. What is the primary objective of a multinational corporation in using derivatives to manage foreign exchange risk?
  - a) Speculation
  - b) Hedging
  - c) Arbitrage
  - d) None of the above

Answer: b) Hedging

#### 7. Which of the following is an example of a direct foreign investment?

- a) Exporting goods to a foreign country
- b) Licensing a technology to a foreign company
- c) Acquiring a foreign company
- d) Purchasing foreign currency

Answer: c) Acquiring a foreign company

# 8. What is the term for the risk that a foreign government may expropriate a company's assets?

- a) Political risk
- b) Economic risk
- c) Exchange rate risk
- d) Credit risk

Answer: a) Political risk

#### 9. Which of the following is NOT a factor that affects the exchange rate of a currency?

- a) Inflation rate
- b) Interest rate
- c) Economic growth
- d) Political stability

Answer: d) Political stability

## 10. What is the term for the transfer of funds between countries for the purpose of financing international trade?

- a) Foreign direct investment
- b) International portfolio investment
- c) International trade financing
- d) None of the above

Answer: c) International trade financing