

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