

Question 1

"Maximize corporate wealth"

- A) has a broader definition than just financial wealth.
- B) as a management objective treats shareholders on a par with other corporate stakeholders such as creditors, labor, and local community.
- C) is the primary objective of the European/Japanese model of management.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=425227>

Question 2

Domestic firms rely much more heavily on short and intermediate debt, which lie at the low cost end of the yield curve, than do MNEs.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=425169>

Question 3

A positive current account balance (surplus) contributes directly to increasing the measure of GDP.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=425156>

Question 4

According to the authors, what is the single most important mandate of the European Central Bank?

- A) Establish an EMU trade surplus with the United States.
- B) Price, in euros, all products for sale in the European Union.
- C) Promote international trade for countries within the European Union.
- D) Promote price stability within the European Union.

Answer: <https://biology-forums.com/index.php?topic=425026>

Question 5

The travel services provided to international travelers by United Airlines would be recorded in the current account subcategory of

- A) services trade.
- B) goods trade.
- C) income trade.
- D) current transfers.

Answer: <https://biology-forums.com/index.php?topic=425106>

Question 6

All futures contracts are between the client and the exchange clearing house thus effectively eliminating specific counterparty risk at delivery date.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=425539>

Question 7

Which of the following did NOT contribute to the exchange rate collapse in emerging markets in the 1990s?

- A) the sharp reduction of cross-border foreign direct investment
- B) speculation on the part of market participants
- C) infrastructure weaknesses
- D) All of the above contributed to the emerging markets exchange rate collapse of the 1990s.

Answer: <https://biology-forums.com/index.php?topic=425722>

Question 8

The stakeholder capitalism model is characterized by the desire of controlling shareholders to maximize long-term return to equity just as in the shareholder wealth maximization model of corporate governance. However, stakeholder capitalism controlling shareholders are more constrained by which of the following groups than in the shareholder wealth maximization model?

- A) governments
- B) banks
- C) other powerful stakeholders
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=425208>

Question 9

An example of economies of scale in financing includes

- A) being able to use large-scale plant and equipment.
- B) being able to access the Euroequity, Eurobond, and Eurocurrency markets.
- C) being able to ship product in shiploads or carloads.
- D) all of the above.

Answer: <https://biology-forums.com/index.php?topic=425628>

Question 10

The theory of _____ states that the difference in the national interest rates for securities of similar risk and maturity should be equal to but opposite in sign to the forward rate discount or premium for the foreign currency, except for transaction costs.

- A) the law of one price
- B) absolute PPP
- C) interest rate parity
- D) international Fisher Effect

Answer: <https://biology-forums.com/index.php?topic=425493>

Question 11

Fissler AG, headquartered in Germany, records all of its sales worldwide in euros. Its USA division realized sales of €2,675,000 last year when the exchange rate was \$1.33/€ and sales of €2,355,000 this year when the exchange rate was \$1.48/€. What was the percent change in euro revenues for Fissler for the USA division over the last year?

- A) -11.96%
- B) -13.99%
- C) -2.03%
- D) -20.89%

Answer: <https://biology-forums.com/index.php?topic=425284>

Question 12

An expected change in foreign exchange rates is not included in the definition of operating exposure, because both management and investors should have factored this information into their evaluation of anticipated operating results and market value. Describe how the expected change in foreign exchange rates would be reflected in the decision-making process from the perspective of a) management, b) debt service, c) the investor, and d) the broader macroeconomic perspective.

Answer: <https://biology-forums.com/index.php?topic=425057>

Question 13

LipTea Incorporated purchases raw materials and has processing plants around the world. They also have an international market for their product. Because of their presence in so many countries LipTea has the ability to raise capital around the world in several different markets. LipTea is truly an MNE. If the firm has an average pre-tax cost of debt of 8%, a cost of equity of 13%, and an average tax rate of 40%, what is their after-tax cost of debt?

- A) 10.5%
- B) 3.2%
- C) 8.0%
- D) 4.8%

Answer: <https://biology-forums.com/index.php?topic=425091>

Question 14

A signed _____ is issued by the exporter and contains a precise description of the merchandise.

- A) commercial invoice
- B) banker's acceptance
- C) packing list
- D) bill of lading

Answer: <https://biology-forums.com/index.php?topic=425514>

Question 15

What does the OLI Paradigm propose to explain? Define each component and provide an example of each.

Answer: <https://biology-forums.com/index.php?topic=425737>

Question 16

Major exceptions to using European terms in foreign exchange include

- A) pounds and euros.
- B) Mexican pesos and euros.
- C) trading yen and euros.
- D) all of the above.

Answer: <https://biology-forums.com/index.php?topic=425383>

Question 17

Which of the following is a common operational financial objective for MNEs?

- A) minimization of total assets held in foreign locations
- B) minimization of revenues from other countries
- C) minimization of the firm's effective global tax burden
- D) maximization of interest expense

Answer: <https://biology-forums.com/index.php?topic=425215>

Question 18

Which of these factors may differ for management of a domestic firm vs an international firm?

- A) corporate governance
- B) culture
- C) political risk
- D) All of the above may differ.

Answer: <https://biology-forums.com/index.php?topic=424915>

Question 19

A value-added tax has gained widespread use in Western Europe, Canada, and parts of Latin America.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=425414>

Question 20

The authors reference empirical evidence that family-controlled firms all over the world may outperform publicly traded firms. What factors are cited as reasons for this occurring?

Answer: <https://biology-forums.com/index.php?topic=425291>