

Question 1

Not all firms have the same optimal capital structure. Factors that might influence a firm's capital structure include

- A) the volatility of its sales and operating income.
- B) the collateral value of its assets.
- C) the industry in which it operates.
- D) all of the above.

Answer: <https://biology-forums.com/index.php?topic=425224>

Question 2

After being introduced in the 1980s, currency swaps have remained a relatively insignificant financial derivative instrument.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=425047>

Question 3

The balance of payments is most like a(an)

- A) income statement.
- B) cash flow statement.
- C) proxy statement.
- D) balance sheet.

Answer: <https://biology-forums.com/index.php?topic=425088>

Question 4

Potential strategies to mitigate the risk of expropriation and amendments in the investment agreement include

- A) thin equity injection supplemented with large local debt.
- B) using International Finance Institutions loans or co-investment vehicles.
- C) obtaining insurance from OPIC against country risk.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=425703>

Question 5

Which of the following is NOT a factor in determining the price of a currency option?

- A) the present spot rate
- B) the standard deviation of the daily spot price movement
- C) the time to maturity
- D) All of the above are factors in determining the premium price.

Answer: <https://biology-forums.com/index.php?topic=425599>

Question 6

Which of the following is NOT an argument against dollarization?

- A) The dollarized country can no longer profit from seignorage (the ability to profit from the creation of money within its economy).
- B) The dollarized country loses sovereignty over its own monetary policy.
- C) The dollarized country's central bank can no longer act as a lender of last resort.
- D) All of the above are arguments against dollarization from the viewpoint of the affected country.

Answer: <https://biology-forums.com/index.php?topic=425050>

Question 7

The I in OLI refers to an advantage in a firm's home market that is an

- A) international abnormality.
- B) internalization.
- C) industry-specific advantage.
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=425644>

Question 8

Your authors identify five primary mechanisms by which capital may be moved from one country to another. Identify and briefly explain/define three of those methods.

Answer: <https://biology-forums.com/index.php?topic=425184>

Question 9

According to the authors, the following types of transactions dominate the balance of payments

- A) the exchange of stocks and bonds.
- B) the exchange of real and financial assets.
- C) the exchange of goods and services.
- D) the exchange of guns for butter.

Answer: <https://biology-forums.com/index.php?topic=425092>

Question 10

The capital asset pricing model (CAPM) is an approach

- A) can be applied only to domestic markets.
- B) used by marketers to determine the price of saleable product.
- C) to determine the price of equity capital.
- D) none of the above.

Answer: <https://biology-forums.com/index.php?topic=425075>

Question 11

_____ is the risk that a foreign government will place restrictions such as limiting the amount of funds that can be remitted to the parent firm, or even expropriation of cash flows earned in that country.

- A) Foreign risk
- B) Unnecessary risk
- C) Political risk
- D) Exchange risk

Answer: <https://biology-forums.com/index.php?topic=425801>

Question 12

Which of the following led to the eventual demise of the fixed currency exchange rate regime worked out at Bretton Woods?

- A) several unexpected economic shocks to member nations
- B) differential rates of inflation across member nations
- C) widely divergent national monetary and fiscal policies among member nations
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=424970>

Question 13

New York City has the greatest volume of foreign exchange activity in the world.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=425363>

Question 14

You have been hired as a consultant to the central bank for a country that has for many years suffered from repeated currency crises and depends heavily on the U.S. financial and product markets. Which of the following policies would have the greatest effectiveness for reducing currency volatility of the client country with the United States?

- A) an internationally floating exchange rate
- B) an exchange rate pegged to the U.S. dollar
- C) an exchange rate with a fixed price per ounce of gold
- D) dollarization

Answer: <https://biology-forums.com/index.php?topic=425046>

Question 15

What are blocked funds? List and explain two of the three methods the authors list in this chapter for dealing with blocked funds.

Answer: <https://biology-forums.com/index.php?topic=425743>

Question 16

A business that is owned and managed by same entity is

- A) increasing the likelihood of agency problems.
- B) family business that sold majority ownership through IPO.
- C) has to offer ownership shares to professionally hired managers.

D) decreasing the likelihood of agency problems.

Answer: <https://biology-forums.com/index.php?topic=425197>

Question 17

What is a country's balance of (merchandise) trade and why is it so widely reported in the financial and popular press?

Answer: <https://biology-forums.com/index.php?topic=425176>

Question 18

The international availability of capital to MNEs

A) allows the firm to lower their cost of equity, relative to domestic firms.

B) allows the firm to shift tax payments to other counties.

C) allows the firm to avoid income taxes.

D) none of the above.

Answer: <https://biology-forums.com/index.php?topic=425177>

Question 19

A _____ occurs when two business firms in separate countries arrange to borrow each other's currency for a specified period of time.

A) natural hedge loan

B) back-to-back loan

C) forward loan

D) currency switch loan

Answer: <https://biology-forums.com/index.php?topic=425023>

Question 20

_____ may be required so that the contents of containers can be identified, either for customs purposes or for importer identification of the contents of separate containers.

A) Banker's acceptances

B) Consular invoices

C) Packing lists

D) Commercial invoices

Answer: <https://biology-forums.com/index.php?topic=425518>