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International Financial Management MCQ

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Below we have listed the few **International Financial Management MCQ Questions** that check your basic knowledge of International Financial Management. This **International Financial Management MCQ Test** contains 20 Multiple Choice Questions. You have to select the right answer to the question.

Q1. The current system of international finance is a ____.

- A. gold standard
- B. fixed exchange rate system
- C. floating exchange rate system
- **D. managed float exchange rate system**

Q2. A simultaneous purchase and sale of foreign exchange for two different dates is called ____.

- A. currency devalue
- **B. currency swap**
- C. currency valuation
- D. currency exchange

Q3. Hedging is used by companies to:

- A. Decrease the variability of tax paid
- **B. Decrease the variability of expected cash flows**
- C. Increase the variability of expected cash flows
- D. Decrease the spread between spot and forward market quotes

Q4. Derivative securities includes:

- A. swap contract

- B. futures contract
- C. option contract
- D. All of the above

Q5. By definition, currency appreciation occurs when:

- A. the value of all currencies fall relative to gold.
- B. the value of all currencies rise relative to gold.
- C. the value of one currency rises relative to another currency.
- D. the value of one currency falls relative to another currency.

Q6. If purchasing power parity were to hold even in the short run, then:

- A. quoted nominal exchange rates should be stable over time.
- B. real exchange rates should tend to increase over time.
- C. real exchange rates should be stable over time.
- D. real exchange rates should tend to decrease over time.

Q7. In the foreign exchange market, the _____ of one country is traded for the _____ of another country.

- A. currency; currency
- B. currency; financial instruments
- C. currency; goods
- D. goods; goods

Q8. A floating exchange rate ____.

- A. is determined by the national governments involved
- B. remains extremely stable over long periods of time
- C. is determined by the actions of central banks
- D. is allowed to vary according to market forces

Q9. The date of settlement for a foreign exchange transaction is referred to as:

- A. Clearing date
- B. Swap date
- C. Maturity date
- **D. Value date**

Q10. Which one of the following is not a type of foreign exchange exposure?

- **A. Tax exposure**
- B. Translation exposure
- C. Transaction exposure
- D. Balance sheet exposure

Q11. Which of the methods below may be viewed as most effective in protecting against economic exposure?

- A. Futures market hedging
- B. Forward contract hedges
- **C. Geographical diversification**
- D. Money market hedges

Q12. The impact of Foreign exchange rate on firm is called as:

- **A. Operating Exposure**
- B. Transaction exposure
- C. Translation exposure
- D. Business risk

Q13. Foreign currency forward market is ____.

- **A. An over the counter unorganized market**
- B. Organized market without trading
- C. Organized listed market
- D. Unorganized listed market

Q14. An economist will define the exchange rate between two currencies as the:

- **A. Amount of one currency that must be paid in order to obtain one unit of another currency**
- B. Difference between total exports and total imports within a country

- C. Price at which the sales and purchases of foreign goods takes place
- D. Ratio of import prices to export prices for a particular country

Q15. The Purchasing Power Parity should hold:

- A. Under a fixed exchange rate regime
- **B. Under a flexible exchange rate regime**
- C. Under a dirty exchange rate regime
- D. Always

Q16. Covered interest rate parity occurs as the result of:

- A. the actions of market-makers
- **B. interest rate arbitrage**
- C. purchasing power parity
- D. stabilising speculation

Q17. Arbitrageurs in foreign exchange markets:

- A. attempt to make profits by outguessing the market
- B. make their profits through the spread between bid and offer rates of exchange
- C. need foreign exchange in order to buy foreign goods
- **D. take advantage of the small inconsistencies that develop between markets**

Q18. The forward market is especially well-suited to offer hedging protection against

- A. translation risk exposure.
- **B. transactions risk exposure.**
- C. political risk exposure.
- D. taxation.

Q19. Financial management process deals with ____.

- A. Investments
- **B. Financing decisions**
- C. Both a and b
- D. None of the above

Q20. It is very difficult to interpret news in foreign exchange markets because:

- A. very little information is publicly available
- B. most of the news is foreign
- **C. it is difficult to know which news is relevant to future exchange rates**
- D. It is difficult to know whether the news has been obtained legally

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