By OnlineInterviewQuestions.com

International Financial Management MCQ

Take International Financial Management MCQ Test to Test your Knowledge

Practice here the 20+ **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, that are very important & mostly asked in exams. apart from this, you can also download below the **International Financial Management MCQ PDF** completely free.

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

Q21. Which of the following refers to currency speculation?

- **A.** The exchange rate at which a foreign exchange dealer will convert one currency into another that particular day
- **B.** Simultaneous purchase and sale of a given amount of foreign exchange for two different value dates
- **C. The short-term movement of funds from one currency to another in the hopes of profiting from shifts in exchange rates**
- **D.** None of the above