**Topic 16 Knowledge Check**

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| Points: | 35 |

Started on Jun 21 at 19:12

Your Submission:

Top of Form

1. Bookmark question for later

Why would a country have incentives to devalue its currency?

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| * + A weaker currency makes exports relatively cheaper for foreign consumers.   + A weaker currency makes imports relatively more expensive for domestic consumers.   + In general, a weaker currency can help a domestic economy.   + All of the above are true.   + None of the above are true. |
|  |

1. Bookmark question for later

If a currency (Swiss franc) appreciates relative to a second currency (Chinese yuan), then the exchange rate measured as SF/Yuan goes \_\_\_\_\_\_\_\_\_.

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| * + Down   + Up   + Stays the same |
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1. Bookmark question for later

If Ford manufactures a vehicle in the US paying dollars and sells it in Mexico collecting pesos, if the price in Mexico for the vehicle stays constant, but the value of the Peso depreciates against the dollar, then Ford will make \_\_\_\_\_\_\_\_\_\_\_\_ profit measured in US dollars.

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| * + Greater   + The same   + Less |
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1. Bookmark question for later

What is a common abbreviation for foreign exchange risk?

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| * + FER   + CX risk   + FEXCHR   + CER   + FX risk |
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1. Bookmark question for later

Match the currency with its country.

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| --- |
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Peso or MXN

Pound, GBP, or £

Yen, JPY or ¥

Euro or €

Krone, kr, or NOK

*Drag and drop the choices from below.*

Mexico

Norway

European Union

England

Japan

[Reset Answers](https://wgu.myeducator.com/reader/web/609/Topic16/sr9mf/)

1. Bookmark question for later

What does it mean if the US dollar/Canadian dollar exchange rate is 1.1?

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| * + It takes 1.1 Canadian dollars to buy 1 US dollar.   + It takes 1.1 US dollars to buy 1 Canadian dollar.   + It takes 11 Canadian dollars to buy 1 US dollar.   + It takes 11 US dollars to buy 1 Canadian dollar.   + None of the above are correct. |
|  |

1. Bookmark question for later

Which of the following is NOT a type of exchange rate regime discussed in this section?

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| * + Floating   + Flat   + Fixed   + Managed floating   + All of the above are exchange rate regimes |
|  |

1. Bookmark question for later

 If a country follows a floating exchange rate policy then the value of the currency is determined strictly by \_\_\_\_\_\_\_\_\_\_.

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| * + a. Supply and demand in the open market   + b. Actions through monetary policy   + c. Actions through fiscal policy   + d. Both b and c   + e. None of the above |
|  |

1. Bookmark question for later

If a country intervenes to maintain a constant value of the country’s currency, it is a \_\_\_\_\_\_\_\_\_\_\_ exchange rate regime.

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| * + a. Floating   + b. Flat   + c. Fixed   + d. Pegged   + e. Both c and d |
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1. Bookmark question for later

The policy that allows a currency to float within a minimum and a maximum is called \_\_\_\_\_\_\_\_.

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| * + Flat   + Fair   + Floating   + Managed floating   + Fixed |
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1. Bookmark question for later

True or false: When Chile pegged the Chilean peso to the US dollar in the 1970s, it was a great help to Chile’s national economy.

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| TrueFalse |
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1. Bookmark question for later

Match the exchange rate regime with its definition.

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Value of the currency is determined by supply and demand

A country's monetary authority intervenes to maintain a constant value of the country's currency

Not controlled entirely by market demand and supply, but is partially controlled by government intervention that limits minimum and maximum value

*Drag and drop the choices from below.*

Managed

Floating

Fixed or Pegged

[Reset Answers](https://wgu.myeducator.com/reader/web/609/Topic16/sr9mf/)

1. Bookmark question for later

What are two primary methods used to mitigate FX risk? (Select two answers.)

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| * + Selling for more expensive   + Selling for cheaper   + Financial derivatives   + Direct investment |
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1. Bookmark question for later

What is the goal of using a financial derivate such as a forward or future?

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| * + To make less profits through exchange rate movements   + To make more profits through exchange rate movements   + To make no profits through exchange rate movements |
|  |

1. Bookmark question for later

What type of derivative security discussed in this section allows companies to lock in an FX rate for the future?

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| * + a. Currency forward   + b. Currency future   + c. Straddle option   + d. Both a and b   + e. a, b, and c |
|  |

1. Bookmark question for later

The general process of eliminating risk with FX is referred to as \_\_\_\_\_\_\_\_.

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| * + Hedging   + Shading   + Slighting   + Shredding   + Dancing |
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1. Bookmark question for later

In finance jargon, what is another word that means to buy an asset?

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| --- |
| * + Long   + Short   + Rip   + Sloop   + Hop |
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1. Bookmark question for later

True or false: The idea of comparative economic advantage provides support for the benefits of global free trade.

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| TrueFalse |
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1. Bookmark question for later

What are two examples of U.S. legislation to promote global free trade? (Select two answers.)

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| * + ORCA   + FDIC   + TPP   + NAFTA |
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1. Bookmark question for later

What is the primary motive for tariffs?

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| * + To promote goodwill globally   + To protect domestic industries   + To help allied partners   + To show national strength   + To protect national security |
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1. Bookmark question for later

Which of the following is NOT discussed in this section as a potential cost of doing international business?

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| * + NAFTA   + Taxes   + Tariffs   + Currency restrictions   + All of these are discussed |
|  |

1. Bookmark question for later

What is the purpose of currency restrictions?

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| * + To promote free trade   + To increase tax efficiency   + To decrease friction in the international economy   + To limit the ability of a foreign firm to take capital out of a country   + None of the above |
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1. Bookmark question for later

True or false: Corporate tax rates are the same in every country because of international trade agreements.

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| TrueFalse |
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1. Bookmark question for later

Which of the following is NOT mentioned as a type of global bond?

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| * + Yankee bond   + Samurai bond   + Eurobond   + Bulldog bond   + Hotdog bond |
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1. Bookmark question for later

True or false: The only way to raise foreign capital is through the debt markets.

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| TrueFalse |
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1. Bookmark question for later

True or false: A U.S. bond denominated in U.S. dollars and issued in Europe is classified as a Eurobond.

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| --- |
| TrueFalse |
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1. Bookmark question for later

Outsourcing involves the \_\_\_\_\_\_\_\_\_ market.

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| * + Financial   + Public   + Environmental   + Labor   + TARP |
|  |

1. Bookmark question for later

A financial product in which banks bundle international stocks so they can be sold on US exchanges in US dollars is termed a(n) \_\_\_\_\_\_\_\_\_\_.

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| --- |
| * + ADR   + Short   + NASDAQ   + Long   + SWF |
|  |

1. Bookmark question for later

Government funds designed to invest abroad are termed \_\_\_\_\_\_\_\_\_\_.

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| * + Global wealth funds   + Public wealth funds   + Government wealth funds   + Sovereign wealth funds   + Private wealth funds |
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1. Bookmark question for later

If a product is made 100% domestically, what can affect its domestic market?

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| * + Product tariffs   + International exchange rates   + International political regulations   + International competition |
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1. Bookmark question for later

If a company makes its product in a foreign country where labor costs are much lower, what happens?

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| * + Costs stay the same and domestic employment increases.   + Profits go up and domestic employment decreases.   + Costs go up and domestic employment goes down.   + Profits and domestic employment go up. |
|  |

1. Bookmark question for later

If the value of the dollar increases, the price of imports \_\_\_\_\_\_\_\_\_.

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| * + Fluctuates   + Stays the same   + Increases   + Decreases |
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1. Bookmark question for later

Why would a farmer buy a hedge when he signs a contract to sell produce overseas?

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| * + To avoid competition   + To avoid tariffs   + To reduce currency risk   + To increase profits |
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1. Bookmark question for later

True or False: Country risk and political risk are the same thing.

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| TrueFalse |
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1. Bookmark question for later

Which of the following is NOT given as an example of a nation that has experienced significant country risk over recent years?

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| * + Italy   + Puerto Rico   + Greece   + Canada |
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