**LMS Questions for [International Finanzmanagement and DLMINTIFM01\_D]**

(Five multiple-choice questions per unit with one correct answer and three incorrect answers. Use the second column to indicate the corresponding unit section.)

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| **Unit/**  **Question Number** | **Section** | **Question** | **Correct answer** | **Incorrect answer** | **Incorrect answer** | **Incorrect answer** |
| 1/1 |  | Which of the following is a factor in financing decisions? | cost of capital | dividend policy | retained earnings | capital budgeting |
| 1/2 |  | Which of the following factors is a factor in investment decisions? | capital budgeting | leverage | retained earnings | working capital management |
| 1/3 |  | Which of the following is a factor in dividend decisions? | retained earnings | capital budgeting | leverage | cost of capital |
| 1/4 |  | Which mode of international business allows an investor to establish a business and generate revenues without transporting goods or planting installations in foreign countries? | franchising | licensing | joint ventures | international trade |
| 1/5 |  | Which model of a multinational company establishes its headquarters in one country that supervises multiple offices in other countries? | regional model | centralized model | domestic model | multinational model |
| **Unit/**  **Question Number** | **Section** | **Question** | **Correct answer** | **Incorrect answer** | **Incorrect answer** | **Incorrect answer** |
| 2/1 |  | Which commodity can be characterized as portable, divisible, durable, easily recognized, and storable? | gold | currency | rice | oil |
| 2/2 |  | Which bank is the largest source of financing for developing countries? | World Bank | European Central Bank | Asian Development Bank | World Trade Organization |
| 2/3 |  | Which component of the balance of payments keeps a record of the flow of funds from the import and export of goods and services between countries? | current account | capital account | financial account | official reserve account |
| 2/4 |  | Which type of risk is associated with a decrease in income stream due to a decline in the interest rate? | income risk | credit risk | liquidity risk | exchange rate risk |
| 2/5 |  | Which contract is used as a risk management instrument whereby two parties agree to buy or sell an asset on a specified date and price in the future? | forward contract | money market hedge | call option | put option |
| **Unit/**  **Question Number** | **Section** | **Question** | **Correct answer** | **Incorrect answer** | **Incorrect answer** | **Incorrect answer** |
| 3/1 |  | Which of the following statements is true for debt financing? | It requires interest payments. | It carries no obligation of interest payments. | It is available to large firms only. | It can be done by making ownership of the company public. |
| 3/2 |  | Which type of risk is associated with the capital asset pricing model (CAPM)? | systematic risk | political risk | credit risk | liquidity risk |
| 3/3 |  | “A lender is protected against overall risk through a financial guarantee.” For which of the following is this statement valid? | intra-group guarantees | mortgage loans | bank loans | inter-company loans |
| 3/4 |  | What is the role of beta in the capital asset pricing model (CAPM)? | It refers to volatility or riskiness. | It refers to extra yield. | It shows the investors’ return. | It represents the market return. |
| 3/5 |  | What will be the cost of equity for a company X if the company has a beta of 0.4 and a risk-free rate of 4%, and the market rate of return is 7.5%? | 5.4 | 5.2 | 8.9 | 7.3 |
| **Unit/**  **Question Number** | **Section** | **Question** | **Correct answer** | **Incorrect answer** | **Incorrect answer** | **Incorrect answer** |
| 4/1 |  | Which of the following statements best explains horizontal investment? | An investor establishes the same business operations in both the home and foreign countries. | A company makes foreign investments in a different industry of another country as a supplier or distributor. | An investor purchases financial assets and securities outside of their home country. | A company sets up business in a different country and starts operations from the ground up. |
| 4/2 |  | Which bank provides grants and loans for development projects in low-income countries? | Multilateral Development Bank | Asian Development Bank | World Bank | International Monetary Fund |
| 4/3 |  | Which financial institution was built to stabilize the global financial system after World War II? | Bretton Woods | Asian Development Bank | World Bank | International Monetary Fund |
| 4/4 |  | In which investing strategy does an investor consider the micro factors of a company instead of analyzing the macroeconomic conditions? | bottom-up investing | top-down investing | Greenfield investing | Brownfield investing |
| 4/5 |  | In the context of country risk in international investment, which type of risk is associated with the central bank's treasury or national government? | sovereign risk | economic risk | political risk | interest rate risk |
| **Unit/**  **Question Number** | **Section** | **Question** | **Correct answer** | **Incorrect answer** | **Incorrect answer** | **Incorrect answer** |
| 5/1 |  | Which component of financial planning aims to manage unavoidable circumstances or last-minute cash deficits? | liquidity planning | capital budgeting | portfolio planning | investment planning |
| 5/2 |  | What is the compound interest rate on €15,000 for year 3 at 1.8% per annum? | €279.81 | €810.00 | €270.00 | €274.86 |
| 5/3 |  | In which type of netting is the related party offset and the amount it receives/owes aggregated? | settlement netting | close-out netting | netting by novation | multilateral netting |
| 5/4 |  | In international trade, which technique is used by the parties to an agreement when the bank rejects the trade draft? | discounting | factoring | forfaiting | accounts receivable financing |
| 5/5 |  | Which of the following is the form of trade agreement whereby the importer purchases goods and services from the exporter, and in return, the exporter also agrees to purchase a few goods and services from the importer within a specified period? | counter-purchase | offset | barter | letter of credit |
| **Unit/**  **Question Number** | **Section** | **Question** | **Correct answer** | **Incorrect answer** | **Incorrect answer** | **Incorrect answer** |
| 6/1 |  | Which type of tax neutrality occurs when tax treatment remains the same for investors wherever they invest? | capital-export neutrality | national neutrality | capital-import neutrality | sales-tax neutrality |
| 6/2 |  | Which type of tax is generally applicable to the passive income of corporations and individuals? | withholding tax | sales tax | income tax | value-added tax |
| 6/3 |  | Which of the following organizations came up with the idea to identify tax havens? | the Organization for Economic Corporation and Development (OECD) | the World Bank | the Financial Action Task Force (FATF) | the International Monetary Fund (IMF) |
| 6/4 |  | Which agreement gives the taxpayer assurance on earnings and that the tax authorities will not levy double taxation on the income associated with a covered transaction? | bilateral or multilateral advance pricing | unilateral advance pricing | double taxation | territorial tax |
| 6/5 |  | A company’s records are formatted with a separate column to record VAT, which is charged at 25%. The company’s sales totaled $167,900. How much will be posted to the VAT account? | $41,975 credit | $41,975 debit | $52,468 credit | $52,468 debit |
| **Unit/**  **Question Number** | **Section** | **Question** | **Correct answer** | **Incorrect answer** | **Incorrect answer** | **Incorrect answer** |
| 7/1 |  |  |  |  |  |  |
| 7/2 |  |  |  |  |  |  |
| 7/3 |  |  |  |  |  |  |
| 7/4 |  |  |  |  |  |  |
| 7/5 |  |  |  |  |  |  |
| **Unit/**  **Question Number** | **Section** | **Question** | **Correct answer** | **Incorrect answer** | **Incorrect answer** | **Incorrect answer** |
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