1. Which of the following is NOT an additional challenge faced by a firm moving from the international trade phase to the multinational phase of globalization?
   a. country risk
   b. operating exposure
   c. shareholder wealth maximization
   d. political risk

2. Possible incentives to corporate globalization include
   a. competitive forces
   b. large opportunity set
   c. access to cheaper production inputs
   d. all of the above

3. Credit risk management of a firm involved in exports is more challenging than that of a domestic firm mainly due to
   a. foreign exchange rate volatility
   b. a typically larger number of customers
   c. internationally different legal standards and business practices
   d. foreign customers typically being large

4. Which of the following is NOT foreign direct investment
   a. investment in a production facility in the home country that exports 100% of its output
   b. a greenfield investment
   c. a joint venture with a foreign firm, located abroad
   d. acquisition of a foreign competitor

5. At international trade phase, a firm will have
   a. transaction exposure
   b. translation exposure
   c. operating exposure
   d. all of the above

6. Devaluation refers to a (an)
   a. decrease in value of a floating currency
   b. increase in value of a floating currency
   c. decrease in value of a fixed currency
   d. increase in value of a fixed currency

7. One of the advantages of a fixed exchange rate system is that
   a. fixed rates vary more than floating rates
   b. fixed rates may be inconsistent with economic fundamentals
   c. fixed rates are immune to political forces
   d. fixed rates reduce volatility

8. Balance of payments data of the host country is a useful forecasting tool for a foreign company mainly because
   a. it shows how much the company has been able to export
   b. it shows the total amount of foreign investment accumulated by the company
   c. it provides information about the company’s dividend payments
   d. it reflects imbalances that may give rise to political action

9. Countries with a Current Account deficit will typically exhibit
   a. a Balance of Payment imbalance
   b. a financial/Capital Account surplus
   c. higher exports than imports
   d. a Financial/Capital Account deficit

10. When a Japanese student attends a US college, which of the following Balance of Payment entries occurs for the US?
    a. a services export
    b. a goods export
11. Assume that a pair of Nike running shoes costs £40 in the UK. If the law of one price holds, and the £/€ exchange rate is £0.65/€, what would be the price of the same shoes in Germany?
   a. €26.00  
   b. €40.00  
   c. €40.65  
   d. €61.54  

12. If the exchange rate pass-through for a company is complete
   a. prices that the company charges for its products abroad are fixed  
   b. prices that the company charges for its products will vary depending on inflation rate  
   c. prices of the company’s products will be unaffected by exchange rate changes  
   d. prices of the company’s products will respond to the market condition  

13. If the International Fisher Effects holds,
   a. the forward premium equals the difference in the currency yield curves  
   b. the differences in relative BOP balance will determine the spot exchange rates  
   c. the differences in relative tax rates will determine the spot exchange rates  
   d. the differences in interest rates determines the spot exchange rate changes  

14. The exchange rate risk of the Covered Interest Arbitrage are
   a. higher than those of Uncovered Interest Arbitrage  
   b. equal to those of Uncovered Interest Arbitrage  
   c. similar to those of any risky international investment  
   d. non-existent  

15. If the current €/$ spot rate is €1.180/$ and the 90-day forward rate is €1.200/$, and the dollar annula interest rate is 8%, what would you expect the euro annual interest rate to be?
   a. 3.7%  
   b. 8.2%  
   c. 9.6%  
   d. 14.9%  

16. If forward rate are unbiased estimators of future spot rates, then they
   a. always correctly predict spot rates  
   b. always correctly predict the direction to which the spot rate will move  
   c. are equally likely to over and under-predict the future spot rate  
   d. are unrelated to the interest rate markets  

17. Assume that a country has fixed and/or managed float exchange rate system. According to the BOP approach, an increase in imports indicates
   a. pressure on the government to buy its own currency  
   b. pressure on the government to buy foreign currency  
   c. pressure on the government to revalue its currency  
   d. pressure on the government to decrease interest rates  

18. Under a floating exchange rate system
   a. the BOP approach is most useful determining the forward rate  
   b. the monetary authorities are committed to maintain the exchange rate within an band  
   c. the Asset Market approach fails  
   d. the BOP should adjust itself  

19. A fixed exchange rate system is most vulnerable to speculative attack
   a. when the currency reserves are near depletion  
   b. after prolonged periods of stability  
   c. when the local interest rates are low  
   d. when the domestic savings are high
20. The Asset Market approach of exchange rate determination holds that
   a. exchange rates are determined by historical exchange rate volatility
   b. current trade flows determine the exchange rates
   c. future prospects of a country determine the value of its currency
   d. past trading volume is already reflected in the value of a currency

21. Technical analysis rely on
   a. the international parity conditions
   b. historical information about exchange rates
   c. the efficient market hypothesis
   d. the Asset Market Approach

22. What are the common factors among the Asian, Russian, and Brazilian crises in the late 1990s? Explain.

23. While you were visiting London, you purchased a Jaguar for £35,000, payable in three months. You have enough cash at your
    bank in Fargo, which pays 0.35% per month, compounded monthly, to pay for the car. The current spot exchange rate is $1.45/£ and
    the three-month forward exchange rate is $1.40/£. In London, the money market interest rate is 2.0% for a three-month investment
    (the rate is not annual). You have two alternatives to consider:
    a. Keep the funds at your bank in Fargo and buy £35,000 forward.
    b. Buy a certain pound amount at the spot rate today and invest in the UK for three months so that maturity value would cover
       the payment you need to make for your Jaguar. Which method would you prefer? Why? Show your work.