Course: FINC4340

Exam #	Question ID	% answering correctly
1	1	100
1	2	13
1	3	38
1	4	38
2	1	100
2	2	75
2	3	100
2	4	75
2	5	88
2	6	88
3	1	88
3	2	13
3	3	88
3	4	88
3	5	88
4	1	50
4	2	88
4	3	88
4	4	13

Total:	19 questions	69% correct overall
		Goals met on 68% of questions

Question ID	Question
1.1	In the Anglo-American model of corporate governance, the primary goal of management is to ________.
1.2	Suppose the spot bid rate is USD/GBP 1.8900 and the asked rate is USD/GBP 1.9000. If you were to buy $1,000,000 worth of British pounds and then immediately resell them, how much of your $1,000,000 investment would be “eaten” by the bid-ask spread (i.e., how much would you lose from these transactions)?
1.3	The bid price ________.

1.4 When a foreign currency trades at a premium in the forward market, the ________.

2.1 A foreign currency ________ option gives the holder the right to ________ a specified amount of foreign currency whereas a foreign currency ________ option gives the holder the right to ________ a specified amount of foreign currency.

2.2 A forward contract can be used to lock in the ________ of a specified currency for a future point in time.

2.3 Financial derivatives are powerful tools that can be used by companies for purposes of ________.

2.4 Forward contracts contain ________.

2.5 Futures contracts are typically ________; forward contracts are typically ________.

2.6 If you purchase a call option, ________.

3.1 A ________ hedge and a ________ hedge guarantee fixed amounts to be exchanged in the future but a ________ hedge or ________ hedge result in uncertain outcomes.

3.2 Folgers Company has a €1,000,000 receivable due in 30 days and is certain that the Euro will depreciate substantially before payment is received. Assuming that the firm is correct, the most logical strategy is to ________.

3.3 What is the primary objective of managing operating or economic exposure?

3.4 Which of the following reflects a logical hedge by a U.S. firm of accounts receivable denominated in British pounds?

3.5 Your company will receive 600,000 Canadian dollars in 90 days. The 90-day forward rate is USD/CAD 0.80 (or CAD/USD 1.25). If you use a forward contract, you will ________.

4.1 A "Greenfield" investment ________.

4.2 Foreign direct investment can take the form of ________.

4.3 Other things being equal, U.S. companies will make more Mexican peso investments today if they expect the Mexican peso to ________ against the U.S. dollar in the future.

4.4 The effective rate of financing in a foreign currency adjusts the nominal or stated foreign interest rate to account for the ________ over the period of concern.