

# WEEK 8: FINAL EXAM

## Quiz Instructions

Here is some information about your Final Exam.

- Your main course-related activity this week is taking the Final Exam. You have 3 hours and 30 minutes to complete the exam. Please review the Syllabus for information regarding the opening and closing of the Final Exam. The Final Exam is open book, open notes, but in the Final Exam environment, the Windows clipboard and printing functions are disabled. You will not be able to copy exam questions or answers to or from other applications.
- You will find 10 multiple choice, four short answers, and eight essay questions on the exam. The multiple choice questions are worth 5 points each, totaling 50 points. The short answer questions are worth 12 and 14 points, and the essay questions are worth 25 points each, totaling 250 points. The Final Exam has a total of 300 points, and this represents 30% of the 1,000 maximum course points that can be earned in this course. All questions are randomly selected from an exam pool. The Final Exam is comprehensive and covers all weeks' material and all of the COs. Each question is identified with its respective CO.
- Because efficient time management is critical to performing well on this exam, it is suggested that you complete the multiple choice questions first. Skip the questions about which you are unsure. The same caveat applies to the short answer questions and essays. Then, return to the multiple choice questions, short answer questions, and essays you have yet to answer. Do not spend too much time on any one question or problem.
- The best bet for thorough exam preparation is to achieve mastery of the course material (readings, lessons, lesson supplements, and question and problem sets) prior to taking the exam. Accordingly, this week (Week 8) is the time to resolve any lingering questions you may have by using the Q & A Forum in the Introduction and Resources module to ask appropriate questions of your instructor.
- Only your instructor can grant you additional time to complete the exam. Be sure to contact your instructor if you are kicked out of the exam before the 3-hour-and-30-minute deadline.
- When the time limit is reached, you will be exited from the exam.

By submitting this work, I am attesting that it abides by the [Student Honor Code](#)

(<https://devryu.instructure.com/courses/899/pages/student-honor-code>).

**Question 1**

**5 pts**

(TCO A) A high home inflation rate relative to other countries would the home country's current

account balance, other things being equal. A high growth in the home income level relative to other countries would\_ the home country's current account balance, other things being equal.

increase; increase

increase; decrease

decrease; decrease

decrease; increase

Upward pressure on the Swiss franc's forward rate

MNCs based in Germany and \_\_\_\_\_ than MNCs based in Japan.

lower; higher

lower; lower

higher; higher

higher; lower

Executive compensation





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12pt



Paragraph

\$900,000 / \$0.62 = AUD 1,451,612

AUD 1,451,612 \* 1.03 = AUD 1,495,161 AUD 1,495,161 \* \$0.64 = \$956,903

After 180 days you will see a profit of \$56,903

p

### Question 13

12 pts



$$\$1.65 - \$1.64 - \$0.03 = -\$0.02$$

$$\text{Net profit per unit} = -\$0.02$$

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## Question 15

25 pts

(TCO A) Answer the following questions regarding international financial markets.

Recently, Walmart established two retail outlets in the city of Shanzen, China, which has a population of 3.7 million. These outlets are massive and contain products purchased locally as well as imports. As Walmart generates earnings beyond what it needs in Shanzen, it may remit those earnings back to the United States. Walmart is likely to build additional outlets in Shanzen or in other Chinese cities in the future.

(a) How would the Walmart outlets in China use the spot market in foreign exchange?

(b) How might Walmart utilize the international money market when it is establishing other Walmart stores in Asia?

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Three methods that MNC's engage in in international business are to acquire resources, minimize risk, and sales expansion. Acquiring resources is one of the most important reasons for MNC to expand. Because developing and emerging countries have large amounts of available raw resources and MNC look to these markets to get access to these resources. Many emerging markets and developing countries do not have the expertise or the resources needed to tap their raw resources. So they welcome MNC because of the royalties and payments they receive that help them to grow their economies. The availability of cheap raw materials is why many MNC invest and operate in Africa, South Asia, and South America. By expanding into emerging markets MNC hope to minimize the risk of stagnating growth in their home country as well as in other countries where they are operating. When MNC start to see

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### Question 19

25 pts

(TCO B) The opening of Russia's market has resulted in a highly volatile Russian currency (the ruble). Russia's inflation has commonly exceeded 20% per month. Russian interest rates commonly exceed 150%, but this is sometimes less than the annual inflation rate in Russia. What is happening to the purchasing power of Russian consumers based on this exchange system of rubles? What will be the foreign demand for rubles to purchase Russian goods? Will rubles appreciate or depreciate against the U.S. dollar?

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for each method (e.g., exporting, direct foreign investment, etc.) that Snyder could use to achieve its goal.

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If Snyder Golf Co. has conducted market research in Brazil and predict a high demand for their goods in that market the company could build their own manufacturing plant in in Brazil. This option would require a lot of capital and that could be risky. If the demand for their product is expected decline in the near future, the company could outsource or license manufacturing in Brazil. The company could than eliminate the risk of a capital project and charge a percentage of the profit. If research has shown that the demand for their product is low than the company could export its product to Brazil. Exporting good to another country will incur transportation charge that would reduce the amount of profit.

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Companies with a high percentage of business conducted by subsidiaries in other countries will experience a high level of translation exposure risk. As a general rule of thumb, the greater the percentage of business conducted by subsidiaries, the greater is the translation exposure. With a higher percentage of business conducted abroad the company will experience a wider spread in value for each of the relevant foreign currencies as compared to the currency of the parent company. Another factor that will come into play with increase transaction exposure is the type of accounting method that is used by the company. In some cases, the parent company may be forced to use several accounting methods depending on the regulations in each relevant country.

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Bronco Corp. has decided to establish a subsidiary in Taiwan that will produce stereos and sell them there. It expects that its cost of producing these stereos will be one third the cost of producing them in the United States. Assuming that its production cost estimates are accurate, is Bronco's strategy sensible? Explain.

Bronco Corp's strategy to produce and sell stereos in Taiwan is not sensible. The reason that Bronco's strategy is not sensible is because while the company has recognized that it could produce stereos for one third the cost in Taiwan than in the US, this only becomes an advantage if Bronco sells the stereos in the US. If Bronco was to sell the stereos in Taiwan rather than the US market, they would face competitors in that market with the same production costs.

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Quiz saved at 1:46pm Submit Quiz