

CIMAPRO17-BA1-X1-ENG^{Q&As}

BA1 - Fundamentals of Business Economics Question Tutorial

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QUESTION 1

Company A owns a factory in a foreign country. Which of the following types of exchange rate risk is company A most likely to experience in relation to the value of the factory?

- A. Economic risk
- B. Energy risk
- C. Transaction risk
- D. Translation risk

Correct Answer: D

Reference: https://webcache.googleusercontent.com/search?q=cache:rUr_SO58tB8J:https://www.acowtancy.com/textbook/cima-ba1/d3-impact-of-changes-in-interest-and-exchange-rates-on-controlling-and-measuring-businessperformance/impact-of-exchange-rate-changes/notes+andcd=1andhl=enandct=clnkandgl=pkandclient=opera

QUESTION 2

Which of the following organizational arrangements is an example of a multinational corporation (MNC)?

- A. An insurance company based in Country E opens a sales office in Country F in order to service the local market.
- B. A music production company based in Country C signs a contract with an artist's management company based in Country D.
- C. A retailer based in Country G uses an online retail platform in order to sell goods to customers in Country H.
- D. A chain of restaurants based in Country signs a franchise agreement with a company that intends to open restaurants in Country A.

Correct Answer: D

QUESTION 3

A binding financial contract that can be used to hedge exchange rate risks by fixing the rate of exchange at a fixed date, and can be traded in financial markets, is known as:

- A. an option
- B. a managed floating system
- C. a future
- D. a forward exchange contract

Correct Answer: D

Reference: <https://www.investopedia.com/terms/f/forwardcontract.asp>

QUESTION 4

A clothes retailer has estimated a linear trend equation including trend, seasonal and cyclical components to forecast its sales for the next four quarters. Which of the following factors would generate actual sales figures that are likely to differ markedly from the forecast?

- A. A drop in sales due to emergency roadwork blocking access to the store.
- B. A drop in sales due to the ongoing economic recession.
- C. An increase in sales due to the increasing popularity of their brand.
- D. An increase in sales before a major religious festival.

Correct Answer: D

QUESTION 5

Which of the following are the likely consequences, in the domestic economy of a country, of an increase in interest rates?

1.
A rise in demand for capital goods.
 2.
A fall in demand for consumer goods.
 3.
A fall in demand for housing.
 4.
A rise in the exchange rate.
- A. 2, 3 and 4
 - B. 1, 3 and 4
 - C. 1, 2 and 4
 - D. 1, 2 and 3

Correct Answer: C

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