

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

BA1 - Fundamentals of Business Economics Question Tutorial

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QUESTION 1

What does the term 'equity financing' mean?

- A. A company financing a short term cash flow shortage by borrowing from a financial intermediary.
- B. A company investing its excess liquidity by purchasing shares.
- C. A company selling off some of its tangible assets to pay for debts.
- D. A company financing its liquidity deficit by issuing shares.

Correct Answer: D

Reference: <https://www.investopedia.com/terms/e/equityfinancing.asp>

QUESTION 2

The following table shows the profits of a business and an index of the general price level for 4 years.

Year	Profits	Price Index
20X1	\$57 million	100
20X2	\$65 million	109
20X3	\$68 million	116
20X4	\$72 million	120

How does the level of real (inflation adjusted) profits in 20X4 compare to those of 20X1?

- A. + \$18m
- B. + \$12.5m
- C. + \$3m
- D. + \$0.6m

Correct Answer: C

QUESTION 3

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

QUESTION 4

A business has a contractual requirement to pay a sum of \$6m in a foreign currency in 12 months time. It takes out a forward foreign exchange contract for this sum. This is an example of:

A. translation risk avoidance

B. economic risk reduction

C. arbitrage

D. hedging

Correct Answer: D

QUESTION 5

Which of the following will NOT affect the price elasticity of supply?

A. The time period considered.

B. Production costs.

C. The level of stocks.

D. Proportion of income spent.

Correct Answer: C

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