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QUESTION 1

LLZ Company manufactures metal detectors in California at a cost of \$9 per unit. The most expensive component to make is the sensor which goes in the finished product. The cost is \$5 per sensor. Last month LLZ acquired a company in Mexico that makes the sensors for \$1 per sensor. LLZ plans to move all sensor manufacturing operations to the factory in Mexico. What is the movement of this cost saving process called?

- A. Reengineering
- B. Offshoring
- C. Rationalizing
- D. Outsourcing

Correct Answer: B

QUESTION 2

A multinational company may use which of the following to locate profits in subsidiaries in low-tax countries?

- A. Dividends
- B. Transfer pricing
- C. Management fees
- D. Intracompany loans

Correct Answer: B

QUESTION 3

A company has multiple wholly-owned subsidiaries that issue their own checks which are signed by head office staff. The company decides to move to electronic payments using their bank's internet-based payment systems to reduce costs. Payments are now initiated by the subsidiaries. What element of the payment policy should be considered if the company still wants to maintain head office control over payments?

- A. Risk mitigation
- B. Objectives and scope
- C. Roles and responsibilities
- D. Performance measurement and reporting

Correct Answer: C

QUESTION 4

The risk that one financial institution's failure could lead to the failure of other financial institutions is known as:

- A. settlement risk.
- B. systemic risk.
- C. credit risk.
- D. fraud risk.

Correct Answer: B

QUESTION 5

Which of the following is LEAST important when a cash manager determines a company's short-term cash position?

- A. Receipts and disbursements forecasts
- B. Pro forma financial statements
- C. Payments of dividends
- D. Disbursement clearing patterns

Correct Answer: B

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