



# CIMAPRO17-BA1-X1-ENG<sup>Q&As</sup>

BA1 - Fundamentals of Business Economics Question Tutorial

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### QUESTION 1

A business has a short-term problem with its payments exceeding its receipts. Which TWO of the following would be appropriate for meeting this financial shortfall? (Choose two.)

- A. A bank overdraft
- B. A bill of exchange
- C. A mortgage
- D. Issuing shares
- E. A leasing arrangement

Correct Answer: AB

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### QUESTION 2

Dividend income from shares held overseas is recorded in which of the following balance of payments components?

- A. Capital account
- B. Financial account
- C. Profit account
- D. Current account

Correct Answer: D

Reference: <https://www.thebalance.com/current-account-definition-and-4-components-3306265>

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### QUESTION 3

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

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#### QUESTION 4

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](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 5

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

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