Finance 745 – Quiz 1 Name:__________________________

______1. The ________ quote refers to the dollar price of a foreign currency.

a. European
b. American
c. Bid
d. Ask

______2. What is the name of the rate currency traders quote in the interbank market to **sell** foreign currencies?

a. Bid-ask spread.
b. Bid rate
c. Cross rate
d. Ask rate

______3. If you were trading currency in the New York currency market, the exchange rate between two currencies not expressed in U.S. dollars would be known as the ________ quote.

a. direct
b. indirect
c. cross-rate
d. European

______4. Which one of the following is not a characteristic of a liquid market?

a. Market makers stand ready to buy and sell currencies.
b. Foreign exchange dealers make transactions only with dealers.
c. It becomes easy to match buyers and sellers.
d. Transaction costs are low.

______5. What is the name of the risk that a financial institution may not deliver the currency on one side of a completed currency transaction?

e. dealer risk
f. market risk
g. Herstatt risk
h. Exchange rate risk

6. The cash manager at AmFlex Company needs to buy 1,000,000 British pounds to pay a British supplier. A currency broker quotes him a bid-ask rate of £.4865-.5116/US$. What will be the dollar cost of the 1,000,000 pounds?
£1,000,000/£.4865 = $2,055,498

7. The broker at Deutsche Bank quotes bid-ask rates of ¥104.15-30/$. What would be its direct asking price for yen?

The direct asking price is the dollar price of yen. The dollar price of yen is 1/(yen price of dollar.) Here we take 1/104.15 = .009602 $ per yen.