



GARISSA UNIVERSITY

UNIVERSITY EXAMINATION **2017/2018** ACADEMIC YEAR **FOUR** **SECOND** SEMESTER EXAMINATION

SCHOOL OF BUSINESS AND ECONOMICS

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

COURSE CODE: BBM 415

COURSE TITLE: INTERNATIONAL FINANCE

EXAMINATION DURATION: 3 HOURS

DATE: 08/05/18

TIME: 09.00-12.00 PM

INSTRUCTION TO CANDIDATES

- The examination has **SIX (6)** questions
- Question **ONE (1)** is **COMPULSORY**
- Choose any other **THREE (3)** questions from the remaining **FIVE (5)** questions
- Use sketch diagrams to illustrate your answer whenever necessary
- Do not carry mobile phones or any other written materials in examination room
- Do not write on this paper

This paper consists of **TWO (2)** printed pages

please turn over



QUESTION ONE (COMPULSORY)

- (a) Write short notes on the following international finance concepts. **[15 marks]**
- i. Forward Contracts
 - ii. Futures Contracts
 - iii. Eurobonds
 - iv. Options
 - v. Currency swaps
 - vi. Cross-listing
- (b) Discuss any four models that international corporations may use in forecasting the exchange rate. **[10 marks]**

QUESTION TWO

Translation exposure is one of the challenges faced by multinationals as they undertake their operations in various foreign markets. Discuss any five operational strategies which multinationals may use to offset transaction exposure. **[15 marks]**

QUESTION THREE

- (a) Foreign direct investment (FDI) is an activity in which an investor resident in one country has a lasting interest in and a large influence on the management of an entity resident in another country. Discuss the two main forms of FDI. **[6 marks]**
- (b) In recent years, due to fast growth and change in global investment patterns, the definition of FDI has been expanded to include all the acquisition activities outside the investing firm's home country. Discuss the three main types of foreign direct investment. (FDI) **[9 marks]**

QUESTION FOUR

Over the past quarter century, international corporations have been increasingly holding assets in the form of currency and deposits, or 'cash', rather than investing in other productive assets. This reflects a global trend and raises the question of whether international corporations now hold 'too much' cash. Discuss in details any three reasons as to why such corporations may find it necessary to hold cash. **[15 marks]**

QUESTION FIVE

To succeed in today's global marketplace and win sales against foreign competitors, exporters must offer their customers attractive sales terms supported by international trade payment methods. Discuss any five such payment methods used by international corporations. **[15 marks]**

QUESTION SIX

Exporters use different methods of financing international trade, depending upon the resources they have available and the transactional risk they are able to absorb. Discuss any five common trade financing methods that help in facilitating trade between buyers and sellers across international borders **[15 marks]**

