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**GARISSA UNIVERSITY**

**UNIVERSITY EXAMINATION 2020/2021 ACADEMIC YEAR ONE**

**FIRST SEMESTER EXAMINATION**

**SCHOOL OF BUSINESS AND ECONOMICS**

**FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION**

**COURSE CODE: MBA 833**

**COURSE TITLE: INTERNATIONAL FINANCE**

**EXAMINATION DURATION: 2 HOURS**

**DATE: 07/04/2021 TIME: 3.00-5.00 PM**

**INSTRUCTION TO CANDIDATES**

* **The examination has FIVE (5) questions**
* **Question ONE (1) is COMPULSORY**
* **Choose any other TWO (2) questions from the remaining FOUR (4) 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)**

Money serves as a medium of exchange, a unit of account, and a store of value. Different monies must be converted into the same unit of account by the exchange rate in order to compare prices and rates of return. This currency conversion gives rise to foreign exchange risk in investing and operating internationally. The foreign exchange markets have arisen to deal with spot and forward transactions in different monies, as well as currency options to either hedge or speculate.

**Required:**

(a) In light of the above statement, identify and explain the types of foreign exchange risks that an international firm may be faced with and how such risks can be managed (8 marks)

(b) Explain the three theorems that may help managers understand and predict short term and long-term exchange rate fluctuations (6 marks)

(c) Discuss five major factors that led to growth of foreign exchange markets in Kenya (5 marks)

(d) Briefly explain five main factors that influence exchange rates in Kenya (5 marks)

(e) Discuss the dynamics of the international business environment that have implications of country –specific investment climate and are important in making operational and strategic decisions for multinational corporations (6 marks)

**QUESTON TWO (15 MARKS)**

1. Explain four distinguishing features of international financial management from domestic financial management (6 marks)
2. Discuss country risk analysis and its considerations (3 marks)
3. Briefly explain any three techniques or approaches that managers of a firm intending to invest abroad could use to carry out country risk analysis (6 marks)

**QUESTON THREE (15 MARKS)**

1. Explain the nature of capital structure and characteristics that affect their decisions in the multinational corporations (MNCs) (7 marks)
2. Discuss the possible sources of finance for capital structure of multinational corporations (MNCs) (8 marks)

**QUESTON FOUR (15 MARKS)**

(a) Differentiate between local financial institutions and markets and international financial institutions and markets (5 marks)

(b) Discuss the characteristics and the participants in international financial markets. Show the circumstances and how MNC’s financial managers may make use of such institutions and markets (10 marks)

**QUESTON FIVE (15 MARKS)**

1. Explain the factors that a finance manager of a multinational firm needs to consider in formulation of the firm’s dividend policy and method of payment (6 marks)
2. Discuss the possible approaches and the controls employed by a finance manager of an MNC in the management of working capital (9 marks)