



GARISSA UNIVERSITY

**UNIVERSITY EXAMINATION 2017/2018 ACADEMIC YEAR FOUR
FIRST 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: 07/12/17

TIME: 2.00-5.00 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) A multinational firm intending to enter a new market may do so through a number of ways.
Explain any five such ways through which this can be achieved [10 marks]
- (b) Write short notes on the following
- i. Euro bond [2 marks]
 - ii. Globalization [2 marks]
 - iii. Foreign exchange [2 marks]
- (c) The spot rate a US dollar and Denmark Deutschmark is quoted as \$1=Deutschmark 1.6500. The interest rate in US is 4.5% while in Denmark the interest rate is 12.5%. Taking a year to have 360 days, determine a six months forward rate. [4 marks]
- (d) Kenya is currently experiencing heavy debt burden. Describe the various steps that can be undertaken by the country to reduce its debt burden. [5 marks]

QUESTION TWO

- (a) Discuss the distinguishing features of international finance as opposed to domestic financial management [9 marks]
- (b) Describe three motivating factors that drive firms to enter in foreign markets. [6 marks]

QUESTION THREE

- (a) Multinational National Corporations have access to various sources of long term funds. Briefly describe any four such sources. [8 marks]
- (b) Discuss the factors that affect the equilibrium exchange rate. [7 marks]

QUESTION FOUR

- (a) Discuss any four derivatives used in mitigating risk in international finance. [8 marks]
- (b) Describe the determinants of dividend policy in multinational corporations. [7 marks]

QUESTION FIVE

- (a) Explain the term capital flight. [3 marks]
- (b) Discuss the reasons that may lead to capital flight. [12 marks]

QUESTION SIX

- (a) Discuss the various steps taken in process of managing political risk. [6 marks]
- (b) Multinational corporations have more disadvantages than benefits to the domestic country. Justify this statement. [9 marks]

