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**GARISSA UNIVERSITY**

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

**THIRD 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: 07/08/18 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 THREE (3) printed pages *please turn over***

**QUESTION ONE (COMPULSORY)**

1. Explain major political risk characteristics faced by multinational corporation **[5 Marks]**
2. Discuss the methods of international business today **[4 Marks]**
3. Explain the methods a multinational firm expecting to make payments in future can use to hedge against foreign exchange risks **[4 Marks]**
4. Kakuzi Company has expected cash flows of ksh. 300 000 from local business and 1 million Tanzanian shillings from its business in Tanzania and 50 000 Rands from its business in South Africa at the end of its 1st year. The current exchange rates between the Kenya shillings and Tanzanian shilling is 1ksh =15 tz shs, and exchange rate between Kenyan shilling and South Africa rand is 1R = 8kshs. The exchange rates are expected to remain the same for one year. Compute the value of Kakuzi Company given that the cost of capital is 10%. **[6 Marks]**
5. The Kenyan shilling exchange rate to Ugandan shillings is 1kshss = 27ugshs. The inflation rate in Uganda is 12% and that of Kenya is 8%. Determine the expected exchange rate between the two currencies in 3 years’ time based on relative purchasing power parity **[6 Marks]**

**QUESTION TWO**

1. Explain seven reasons why banks become multinational **[7 Marks]**
2. State and explain the major theories of international finance **[8 Marks]**

**QUESTION THREE**

1. Discuss the techniques of assessing country risk **[7 Marks]**
2. State and explain methods of financing international trade **[8 Marks]**

**QUESTION FOUR**

1. Discuss the sources of debt financing for a multinational corporation **[8 Marks]**
2. Explain methods of preventing agency problem in multinational corporation **[7 Marks]**

**QUESTION FIVE**

1. State and explain the various types of foreign exchange markets **[8 Marks]**
2. Discuss seven methods that a multinational company can use to reduce exposure to host government takeovers  **[7 Marks]**

**QUESTION SIX**

1. Discuss the impact of using a single currency on financial flows within an economic block **[7 Marks]**
2. Write short notes on the following agencies indicating how they facilitate international flow of funds :
3. Bank of international settlement
4. International finance corporation
5. World trade organization
6. International monetary fund **[8 Marks]**