



## **GARISSA UNIVERSITY**

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

**SUPPLEMENTARY/SPECIAL 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: 22/03/18**

**TIME: 09.00-12.00 PM**

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### **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) 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 THREE

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

## QUESTION FOUR

- (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]**

## QUESTION FIVE

- (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 SIX

- (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]**

