



# **GRETSA UNIVERSITY - THIKA**

## **UNIVERSITY EXAMINATIONS MAY - AUGUST 2018 SEMESTER**

### **DIPLOMA IN BUSINESS MANAGEMENT**

**COURSE CODE: DBFI 015**

**COURSE TITLE: INTERNATIONAL FINANCE**

**DATE: 6 AUGUST 2018**

**TIME: 8.00 AM – 11.00 AM**

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#### **INSTRUCTIONS TO CANDIDATES**

1. SECTION A IS **COMPULSORY**.
2. SECTION B: ANSWER ANY OTHER **THREE** QUESTIONS.
3. **DO NOT** WRITE ANYTHING ON THIS QUESTION PAPER AS IT WILL BE AN EXAM IRREGULARITY.
4. ALL ROUGH WORK SHOULD BE AT THE BACK OF YOUR ANSWER BOOKLET AND CROSSED OUT.

**CAUTION:** All exam rooms are under CCTV surveillance during the examination period.



## **SECTION A: COMPULSORY**

### **Question One**

- a) Define the following terms;
- i. International finance
  - ii. Foreign exchange market
  - iii. Balance of Payment
  - iv. Economic Exposure
  - v. Transaction
  - vi. Operating [12marks]
- b) Explain three main functions of foreign exchange market. [3marks]
- c) State benefits of international finance. [5marks]
- d) Discuss reasons for studying international finance. [10marks]
- e) Discuss five main participants in foreign exchange market. [10marks]

## **SECTION B: ANSWER ANY THREE QUESTIONS**

### **Question Two**

- a) Define exchange rate and state two methods of expressing exchange rate. [4marks]
- b) Explain the following terms;
- i. Nominal Exchange rate,
  - ii. Real Exchange rate
  - iii. Effective Exchange rate. [6marks]
- c) Explain four purposes of World Bank as laid down in its article of agreement. [10marks]

### **Question three**

- a) Explain four reasons for a rapid growth of futures and options. [10marks]
- b) Discuss factors that that may cause disequilibrium in the balance of payments. [10marks]

### **Question Four**

- a) Explain factors that affect exchange rates. [12marks]
- b) Discuss the four most common strategies for managing exchange rate exposure/risks. [8 marks]

### **Question five**

- a) Discuss measures available for correcting the balance of payment disequilibrium. [10marks]
- b) Explain two common methods of financing balance of payment deficit. [5marks]
- c) Explain factors that influence capital budgeting analysis. [5marks]