



GRE TSA UNIVERSITY – THIKA

UNIVERSITY EXAMINATIONS MAY - AUGUST 2023 SEMESTER

BACHELOR OF COMMERCE

COURSE CODE: BCFI 404

COURSE TITLE: INTERNATIONAL FINANCE

DATE: 2 AUGUST 2023

TIME: 8:00 AM – 11:00 AM

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) Describe Fisher's equation highlighting its application, advantages and shortcomings.

[5

Marks]

- b) Discuss why multinational corporations would choose foreign direct investment rather than alternative modes such as licensing or exporting. [15 Marks]
- c) Explain what you understand by Mundell-Fleming or trilemma theory [10 Marks]
- d) Define financial globalization discussing its positive and negative impacts on developing economies like Kenya's? [10 Marks]

SECTION B: ANSWER ANY THREE QUESTIONS

Question Two

Define and demonstrate the significance of the following theories as they relate to international finance?

- a) The comparative advantage theory [5 Marks]
- b) The absolute advantage theory [5 Marks]
- c) The perfect Market theory [5 Marks]
- d) The imperfect Market theory [5 Marks]

Question Three

International investors encounter numerous risks define and discuss how they manage the following risks?

- a) Credit risk [5 Marks]
- b) Foreign exchange risk [5 Marks]
- c) Country risk [5 Marks]
- d) Liquidity risk [5 Marks]

Question Four

Identify four major derivatives and clearly demonstrate how each works?

- a) 1 [5 Marks]
- b) 2 [5 Marks]
- c) 3 [5 Marks]
- d) 4 [5 Marks]

Question Five

- a) Define International portfolio management? [2 Marks]
- b) What are the advantages of an international portfolio over a local one? [8 Marks]
- c) What are the disadvantages of an international portfolio over a local one? [5 Marks]

d) Advice whether or not investing in an international portfolio investment is worthwhile.

[5

Marks]