



MURANGA UNIVERSITY COLLEGE

(A constituent College of Jomo Kenyatta University of Agriculture & Technology)

MAIN CAMPUS

SUPPLEMENTARY UNIVERSITY EXAMINATIONS

2016/2017 ACADEMIC YEAR

FOR BACHELOR

IN

COMMERCE.

COURSE CODE: HBF 2401

COURSE TITLE: INTERNATIONAL FINANCE.

TIME: 2 HOURS.

INSTRUCTIONS TO CANDIDATES

Question ONE (1) is compulsory
Answer ANY OTHER TWO (2) questions

MRUC observes ZERO tolerance to examination irregularities



QUESTION ONE

- a) Define the following terms.
 - i. Joint venture (2 marks.)
 - ii. Mergers and acquisitions (2 marks.)
 - iii. Licensing (2 marks.)
 - iv. Franchising (2 marks.)
 - v. Foreign direct investment (2 marks.)
- b) Discuss FIVE advantages of joint venture. (10 marks.)
- c) Explain FIVE functions of the foreign exchange market. (10 marks.)

QUESTION TWO

- a) Transactions in the foreign exchange market can be executed on a spot, forward, or swap basis. Explain each transaction extensively. (12 marks.)
- b) Explain FIVE features of international Finance. (8 marks.)

QUESTION THREE

- a) Given that
 - 1 CAD= JAP YEN 80.55- 83.66
 - 1 UK €= JAP YEN 99.05- 105
 - i. Compute UK €/ CAD bid (5 marks.)
 - ii. Compute UK €/ CAD Offer (5 marks.)
- b) Discuss FIVE Major Components of the International Capital Markets (10 marks.)

QUESTION FOUR

- a) Discuss FIVE disadvantages of multinational corporations. (10 marks.)
- b) Explain the following international parity conditions:
 - i. Real Interest Parity
 - ii. Covered interest parity
 - iii. Relative Purchasing Power Parity
 - iv. Absolute purchasing power parity
 - v. Purchasing power parity