



# **MURANGA UNIVERSITY COLLEGE**

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

**MAIN CAMPUS**

**ORDINARY UNIVERSITY EXAMINATIONS**

**2016/2017 ACADEMIC YEAR**

**FOR BACHELOR**

**OF**

**COMMERCE.**

**COURSE CODE: HBF 2401**

**COURSE TITLE: INTERNATIONAL FINANCE.**

**DATE: 25<sup>TH</sup> APRIL 2016**

**TIME: 2 HOURS.**

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## **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. International finance (2 marks.)
  - ii. Multinational corporation (2 marks.)
  - iii. International capital market (2 marks.)
  - iv. Foreign direct investment (2 marks.)
  - v. Eurobond (2 marks.)
  - vi. Global Bond (2 marks.)
- b) International finance is a distinct field of study and certain features set it apart from other fields. Briefly discuss the distinguishing features of international finance. (10 marks.)
- c) There are several alternative methods of entering foreign markets that are less risky and also involve a smaller initial outlay than FDI. Explain FOUR methods. (8 marks.)

## QUESTION TWO

- a) Discuss FIVE key factors for the increased growth in the international equity. (10 marks.)
- b) Given that
- 1 USD = AUD 0.6000 - 0.6015
- 1 USD = MXN 0.0933 - 0.935
- i. Compute MXN/ AUD bid (5 marks.)
  - ii. Compute MXN/ AUD Offer (5 marks.)

## QUESTION THREE

- a) Discuss FIVE market participants in the foreign exchange market. (10 marks.)
- b) Today spot rate is 1 USD = 81.3 JPY and 1 USD = 1.07 AUD. Spot rate one year later are 1 USD = 80 JPY and 1 USD = 1.0803 AUD. One year rates are 0.1% and 4.5% in Australia.
- i. If one year interest rate parity holds, what should be one year forward rate? (5 marks.)
  - ii. If one year interest rate parity holds, what should be expected spot rate (5 marks.)

## QUESTION FOUR

- a) What are the FIVE major factors that distinguish multinational from domestic financial management? (10 marks.)
- b) Discuss FIVE characteristics of multinational companies. (10 marks.)