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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY  
UNIVERSITY EXAMINATION, 2018/2019 ACADEMIC YEAR  
DIPLOMA IN BANKING AND FINANCE**

**DBF 1107 – FINANCE OF INTERNATIONAL TRADE: PAYMENTS AND SERVICES**

Date: 10<sup>th</sup> April, 2018  
Time: 11.00am – 1.00pm

**INSTRUCTIONS TO CANDIDATES**

**ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS**

**QUESTION ONE (30 MARKS)**

- a) What is the meaning of international trade? (2 Marks)
- b) Briefly, discuss characteristics and participants of foreign exchange market. (8 Marks)
- c) Explain determinants of demand and supply of foreign currency. (6 Marks)
- d) Discuss some of the ethical consideration to any exporter or the importer in any given country. (8 Marks)
- e) Discuss the gains of international trade to a participating nation. (6 Marks)

**QUESTION TWO (20 MARKS)**

- a) In many ways, one of the key differentiators between international and domestic trade and banking can be seen as substantially increased risk in various forms. Discuss sorts of risks inherent in trading across borders. (10 Marks)
- b) A trade barrier is a government-imposed restriction on the international exchange of goods or services. Barriers to trade are often called "protection" because their stated purpose is to shield or advance particular industries or segments of an economy. Discuss various types of this. (10 Marks)

**QUESTION THREE (20 MARKS)**

- A )Explain the 3 classical theories of international trade. (10 Marks)
- b) Companies involved in international trade need to understand the range of products available to be able to select the most appropriate payment method considering, amongst other things, speed, security and cost both to remitter and the beneficiary. Discuss three most appropriate method of payment that meet customers' needs. (10 Marks)

**QUESTION FOUR (20 MARKS)**

- a) Explain the methods of providing short- to medium-term finance for importers and exporters. (10 Marks)
- b) You have been shortlisted in the post of the governor of central bank and during the interview you have been asked to draw the difference between fixed and floating exchange rate and briefly to explain the exchange rate used. (10 Marks)

**QUESTION FIVE (20 MARKS)**

- a) Explain the following:
- i) currency future contracts. (2 Marks)
  - ii) currency option contracts. (2 Marks)
  - iii) Principles of purchasing power parity (PPP). (4 Marks)
  - iv) Currency swaps. (2 Marks)
- b) Discuss the major reasons for the development of international trade. (10 Marks)