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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2019/2020 ACADEMIC YEAR
FOURTH YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 11th December, 2019
Time: 11.00am – 1.00pm

KFI 400 - INTERNATIONAL FINANCE

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Giving examples differentiate between:
- i) Direct investment and portfolio investment account. (2 Marks)
 - ii) Spot Exchange and Forward Exchange (2 Marks)
 - iii) Eurocurrency and Eurobond market (2 Marks)
- b) Discuss the reasons for many countries pegging their exchange rate on the US dollar. (6 Marks)
- c) Clearly define the term international finance explaining the reasons for studying international finance. (8 Marks)
- d) Describe how IMF provides technical assistance in areas within its core mandate. (6 Marks)
- e) Assume the Kenya interest rates fall relative to Tanzania interest rates. Other things being equal, how should this affect the:
- i) Kenya demand for Tanzania shillings (2 Marks)
 - ii) Supply of Tanzania shilling for sale (2 Marks)

QUESTION TWO (20MARKS)

- a) State and explain five techniques of dealing with the international risks (10 Marks)
- b) Describe the factors to consider when choosing between Euromarkets or Domestic Markets. (10 Marks)

QUESTION THREE (20MARKS)

- a) Explain the meaning of the term foreign exchange exposure? (4 Marks)
- b) Define the term economic exposure and discuss, by giving example, two component of economic exposure. (6 Marks)
- c) Describe the factors that affect the exchange rates. (10 Marks)

QUESTION FOUR (20MARKS)

- a) Explain how the adoption of the single currency by African countries could be beneficial to MNCs based in Africa and to MNCs based in the rest of the world. (10 Marks)
- b) Discuss the factors affecting the movements in the value of the Kenyan shilling against the dollar. (10 Marks)

QUESTION FIVE (20MARKS)

- a) Suppose you are the Chief Executive Officer of an export firm. Do you prefer fixed or floating exchange rate? Why. (6 Marks)
- b) Explain the role of International Monetary Fund under the Bretton woods System. (8 Marks)
- c) The decision to invest capital in a project abroad should be based upon consideration of expected return and risk just like investing locally. Discuss. (6 Marks)