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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR
FIRST YEAR, FOURTH SEMESTER EXAMINATION
FOR THE DIPLOMA OF BANKING AND FINANCE

UNIT CODE: DBF 1107

GROUP: DBF IV

UNIT TITLE: FINANCE OF INTERNATIONAL TRADE: PAYMENTS & SERVICES

EXAM TYPE: MAIN

LECTURERS NAME: JOHN MBATIAH

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INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Identify and explain the two main types of foreign exchange transactions. (4 marks)
- b) Highlight three distinct features of strategic alliances as a trading mode for international businesses. (6 marks)
- c) Highlight the two forms of direct exports that occur in international trade. (4 marks)
- d) Giving examples, list three participants you would expect to find in a foreign exchange market. (6 marks)
- e) Outline any six reasons why a government would want to impose trade barriers on international trade. (6 marks)
- f) With the help of examples, differentiate between the “on-demand” and “conditional” classes of guarantees. (4 marks)

QUESTION TWO (20 MARKS)

- a) Licensing is a form of market entry where there is transfer of knowledge and right of use of intellectual resources by a foreign to a local firm. Explain five merits associated with international licensing. (10 marks)
- b) Briefly elaborate five benefits of using bonds and guarantees as a form of security to a firm. (10 marks)

QUESTION THREE (20 MARKS)

- a) Cash-in-advance is a method of payment mostly preferred by exporters due to its secure feature. Elucidate on five instances when it is most appropriate to use. (10 marks)
- b) Non-tariff barriers are measures used in international trade and imposed by governments to restrict imports. Describe any five types of non-tariff barriers that an authority may impose. (10 marks)

QUESTION FOUR (20 MARKS)

- a) Multinational firms have adopted different strategies of dealing with foreign exchange risk which poses a threat to them as they could lose funds during transactions. Explain any five hedging strategies that can be adopted. (10 marks)
- b) With the help of a comparison table, expound on five key differences between domestic business and international business. (10 marks)

QUESTION FIVE (20 MARKS)

- a) Briefly describe five ways in which host governments interfere with business operations to control trade domestically. (10 marks)
- b) International traders normally prefer trade financing as a means of solving their working capital issues. Explain any five methods of trade finance that a trader would utilize. (10 marks)