



Kasarani Campus  
Off Thika Road  
Tel. 2042692 / 3  
P. O. Box 49274, 00100  
NAIROBI  
Westlands Campus  
Pamstech House  
Woodvale Grove  
Tel. 4442212  
Fax: 4444175

**KIRIRI WOMEN'S UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2019/2020 ACADEMIC YEAR**  
**FOURTH YEAR, FIRST SEMESTER EXAMINATION**  
**FOR THE DEGREE OF BACHELOR OF SCINENCE IN**  
**(BUSINESS ADMNISTRATION)**

Date: 5<sup>th</sup> December, 2019  
Time: 2.30pm – 4.30pm

**KFI 401 - MULTINATIONAL FINANCIAL MANAGEMENT**

**INSTRUCTIONS TO CANDIDATES**

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

**QUESTION ONE (30 MARKS)**

- a) State three ways in which multinational operations differ from domestic firms. (6 Marks)
- b) Briefly describe the three types of foreign exchange exposures that multinational firms face in international trade. (6 Marks)
- c) The decision to trade across borders is not taken lightly by firms. Highlight any three reasons as to why a Kenyan company would wish to become an MNE. (6 Marks)
- d) Justify, using any four reasons, why a firm would resolve to issuing Euro equity as a means of raising funds. (4 Marks)
- e) Identify and explain any two strategies that MNEs use to manage potentially arising foreign exchange risks. (4 Marks)
- f) List four recent developments that have led to the increased reliance of international financial markets. (4 Marks)

**QUESTION TWO (20 MARKS)**

- a) Political interference is one of the key risks that multinational firms face when going international. Describe any five ways that a firm may use to minimize the effects of political risks. (10 Marks)
- b) Trade barriers are used by countries to control the levels of trade with other trading partners. Highlight any five types of non-tariff trade barriers used by nations to accomplish this task. (10 Marks)

**QUESTION THREE (20 MARKS)**

- a) Briefly discuss any five potential challenges that an MNE intending to invest in Kenya would have to deal with. (10 Marks)
- b) Capital budgeting is usually about allocation of financial resources using available opportunities. Highlight five reasons why a firm should practice capital budgeting. (10 Marks)

**QUESTION FOUR (20 MARKS)**

- a) Firms have a choice of using the various available options to invest in a foreign territory. Explain any five investment strategies that an MNE would use to enter a foreign country. (10 Marks)
- b) Host governments attempt to restrict international trade through the use of trade barriers. Give five reasons why they impose trade barriers on foreign companies. (10 Marks)

**QUESTION FIVE (20 MARKS)**

- a) Elucidate on the determinants of foreign exchange rates that affect firms operating internationally. (10 Marks)
- b) Briefly elaborate on the steps used by firms when undertaking the capital budgeting process. (10 Marks)