



Kasarani Campus
Off Thika Road
P. O. Box 49274, 00101
NAIROBI
Westlands Campus
Pamstech House
Woodvale Grove
Tel. 4442212
Fax: 4444175

KIRIRI WOMEN'S UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATIONS, 2022/2023 ACADEMIC YEAR
FIRST YEAR, FOURTH SEMESTER EXAMINATION
FOR THE DIPLOMA IN BANKING AND FINANCE
DBF 1107-FINANCE OF INTERNATIONAL TRADE: PAYMENT AND SERVICES

Date: 9th December, 2022

Time: 11.30am-1.30pm

INSTRUCTION TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Distinguish between domestic business and international business. (6 Marks)
- b) Failure to become a part of the global market assures a nation a declining economic influence and deteriorating standard of living for its citizens. Discuss the importance of international business. (6 Marks)
- c) Discuss Factors that Affect Foreign Exchange Rates (6 Marks)
- d) The World Bank Group consists of five closely associated institutions playing a distinct role in the mission to fight poverty and improve living standards for people in the developing world. Enumerate THREE World Bank institutions. (6 Marks)
- e) Fixed exchange rate is a rate not determined by the forces of supply and demand but by other outside regulator. Discuss, highlighting the intrinsic worth of fixed exchange rates. (6 Marks)

QUESTION TWO (20 MARKS)

- a) Protectionism restraining trade between states. Discuss Reasons for Government's Protection of Domestic Business. (8 Marks)
- b) Describe ways in which multinational corporations can minimize effects of political interference. (6 Marks)
- c) The host government can interfere with the operations of the company in a number of ways. Discuss. (6 Marks)

QUESTION THREE (20 MARKS)

- a) Companies that seriously consider international markets as a crucial part of their success would likely consider direct exporting as the market entry tool. Highlight two advantages and two disadvantages of direct exporting. (8 Marks)
- b) Discuss potential problems that may arise on Joint ventures. (6 Marks)
- c) A call option on the stock has an exercise price of 11 and a premium of .The stock distribution price is as follows;

Time	1	2	3	4	5	6	7
Price	11	11.2	9.7	10	7	12.5	13

Required;

- Pay off at each point in time.

(6 Marks)

QUESTION FOUR (20 MARKS)

Theoretically speaking, free trade has certain virtues, but in reality governments resort to some manner of protective measures to safeguard the national interests.

- a) Define protectionist (4 Marks)
- b) Discuss arguments for protectionism. (8 Marks)

The foreign exchange market is a worldwide market and is made up primarily of commercial banks, foreign exchange brokers and other authorized agents trading in most of the currencies of the world. These groups are kept in close and continuous contact with one another and with developments in the market through telephone, computer terminals, telex and fax. Discuss players of foreign exchange market. (8Marks)

QUESTION FIVE (20 MARKS)

- a) Trade finance is a form of short to medium term working capital solution which uses the security of the stock or goods being exported / imported as a guarantee. Discuss the benefits of trade financing. (8 Marks)
- b) Discuss the following trade financing methods.
 - i. Accounts Receivable Financing (3 Marks)
 - ii. Letters of Credit (3 Marks)
 - iii. Working Capital Finance (3 Marks)
 - iv. Banker's Acceptance (3 Marks)