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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR**  
**FOR THE DIPLOMA IN BANKING AND FINANCE**  
**DBF 1107 - FINANCE OF INTERNATIONAL TRADE: PAYMENTS & SERVICES**

Date: 19<sup>th</sup> April, 2022  
Time: 11.30 am – 1.30pm

**INSTRUCTIONS TO CANDIDATES**

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

**QUESTION ONE (30 MARKS)**

- a) Define the term trade” (2 Marks)
- b) State any two (2) measures used to minimize the effects of political interference. (4Marks)
- c) List two (2) alternative options that a business has to consider before going international. (4Marks)
- d) Highlight three differences between domestic business and international business. (6Marks)
- e) Describe three (3) types of exposure that occur in foreign exchange transactions. (6 Marks)
- f) Differentiate between a “Greenfield investment” and an “acquisition” as used in international trading. (4 Marks)
- g) Highlight any four (4) challenges that businesses experience when they practice cross-border trade. (4 Marks)

**QUESTION TWO (20 MARKS)**

- a) International trade poses a number of risks caused by payment uncertainties. Explain five methods of payments commonly preferred in international transactions that protect traders. (10 Marks)
- b) Trade finance offers international businesses a chance to take care of their working capital solutions. Highlight any five (5) benefits a business would enjoy by using trade finance. (10 Marks)

**QUESTION THREE (20 MARKS)**

- a) Governments impose barriers on International Tradee for various reasons. Highlight any five (5) reasons for Government’s Protection of Domestic Business Activities. (10 Marks)
- b) Companies trade internationally via different means or participation strategies which differ in the degree of risk they present, the control and commitment of resources they require, and the return on investment they promise. Explain the following concepts with regards to methods of trading.
  - i) Exporting (2 Marks)
  - ii) Licensing (2 Marks)
  - iii) Franchising (2 Marks)
  - iv) Turnkey projects (2 Marks)
  - v) Strategic Alliance (2 Marks)

**QUESTION FOUR (20 MARKS)**

- a) Any business operating internationally has to consider and know how to deal with foreign exchange matters. Highlight and explain five (5) ways that foreign exchange rates can affect a business. (10 Marks)
- b) Due to the nature of their business, international firms experience a different set of risks compared to domestic firms. Highlight any five (5) risks specific to international firms. (10 Marks)

**QUESTION FIVE (20 MARKS)**

- a) Highlight five (5) advantages accrued by a multinational firm from engaging in international trade. (10 Marks)
- b) Bonds indemnify a lender from loss by acting as a security. Highlight and explain five (5) types of bonds used as security. (10 Marks)