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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2014/2015 ACADEMIC YEAR
FOURTH YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 24th April, 2014
Time: 2.00pm – 4.00pm

KFI 400 – INTERNATIONAL FINANCE

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Explain agency problems of Multinational Corporation. (3 Marks)
- b) Explain how SOX improved corporate governance of multinational corporations. (4 Marks)
- c) Explain theory of comparative advantage. (5 Marks)
- d) Discuss the role of World Bank. (8 Marks)
- e) Explain the difference between forward and future contracts. (10 Marks)

QUESTION TWO (20 MARKS)

- a) Explain the following terms as used in international finance;
- i) Specialization
 - ii) Hedgers
 - iii) Clearing house
 - iv) Arbitrage
 - v) Imperfect market theory (10 Marks)
- b) Explain how firms engage in international business. (10 Marks)

QUESTION THREE (20 MARKS)

- a) Discuss international markets by giving examples in each case. (10 Marks)
- b) Explain the role of International Monetary Fund (IMF). (10 Marks)

QUESTION FOUR (20 MARKS)

- a) From the following information draw a balance of payment accounts

Visible trade

Receipts 10282

Payments 17491

Invisible trade

Receipts 12465

Payments 1637

Capital accounts

Receipts 19436

Payments 25150

- b) Explain the cause's balance of payment disequilibrium. (10 Marks)
- (10Marks)

QUESTION FIVE (20 MARKS)

- a) Explain motives for foreign direct investment. (10 Marks)
- b) Discuss barriers to foreign direct investment. (10 Marks)