



**TECHNICAL UNIVERSITY OF MOMBASA**  
***Faculty of Business and Social Studies***

DEPARTMENT OF BUSINESS STUDIES

UNIVERSITY EXAMINATIONS FOR DEGREE IN  
BACHELOR OF BUSINESS ADMINISTRATION  
BACHELOR OF COMMERCE

**BFI 4406: INTERNATIONAL FINANCE**

END OF SEMESTER EXAMINATIONS

**SERIES: APRIL 2015**

**TIME: 2 HOURS**

**INSTRUCTIONS:**

- Answer Question **ONE (Compulsory)** and any other **TWO** questions.
- Do not write on the question paper

***This paper consists of Two printed pages***

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**QUESTION 1 (Compulsory)**

- a) Explain the following types of foreign currency exposures:
- i) Transaction **(3 marks)**
  - ii) Translation **(3 marks)**
  - iii) Economic **(2 marks)**
- b) Explain **THREE** ways in which a firm can hedge against a currency transaction exposure. **(6 marks)**
- c) Name and explain any **FIVE** methods in which a firm can engage in international business. **(10 marks)**

d) Work out the forward outright from the exchange rates versus sterling given in the table below:

Country/currency	Closing market rates	One month forward
Japan	175.16 – 175.28	1.0 – 4.0 disc
USA	1.4571-1.4576	61.0 – 50.0 prem
Euro	1.6296 – 1.6320	22.6 – 20.6

(6 marks)

## QUESTION 2

- a) Explain with Kenyan examples the main reasons why MNCs engage in foreign direct investment. (10 marks)
- b) Briefly explain **FOUR** types of exchange rate systems. (10 marks)

## QUESTION 3

- a) What factors should the company consider when making a decision of raising funds locally or internationally for capital investment? (5 marks)
- b) Write brief notes on the following money and capital markets:
- i) Euro dollar market (3 marks)
  - ii) International bond markets (3 marks)
  - iii) International stock markets (3 marks)
- c) Briefly explain the role of International Monetary Fund (IMF) and World Bank in funding governments. (6 marks)

## QUESTION 4

- a) Briefly explain the factors that can influence exchange rates. (10 marks)
- b) Discuss the main factors that may influence international trade flows. (10 marks)

## QUESTION 5

Discuss the various forms of money laundering. (20 marks)