TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

ACCOUNTING AND FINANCE

UNIVERSITY EXAMINATION FOR:

MASTER OF SCIENCE IN FINANCE

BFI 5205: INTERNATIONAL TRADE AND FINANCE

SUPPLEMENTARY/SPECIAL EXAMINATION

SERIES: NOVEMBER 2024

TIME: THREE HOURS

DATE: NOVEMBER 2024

Instructions to Candidates

You should have the following for this examination

-Answer Booklet, examination pass and student ID

This paper consists of five questions. Attempt question one and any other three questions

Do not write on the question paper.

QUESTION ONE

1(a) Read the case below and answer questions that follow

The International Trade Centre (ITC) is a multilateral agency which has a joint mandate with the World Trade Organization (WTO) and the United Nations (UN) through the United Nations Conference on Trade and Development (UNCTAD).Our aim is for businesses in developing countries to become more competitive in global markets, speeding economic development and contributing to the achievement of the United Nations' Millennium Development Goals.

The growing importance of multi-country value chains has made logistical efficiency critical to enterprises' ability to trade and especially for SMEs which are affected to a greater extent by inefficiencies in cross border movement of goods and services. In this context, the ITC is working with developing countries and especially the least developed amongst them to help them take full advantage of the WTO trade facilitation agreement to enhance their competitiveness through: assistance in the categorization of the TFA provisions, support in the national ratification process, development of project proposals to seek technical and financial assistance for the implementation of category C provisions, strengthening of national trade facilitation committees, implementation of trade provisions including through partnerships with other international organisations and awareness raising among public and private stakeholders

Through its work, the ITC contributes directly to 10 of the Sustainable Development Goals. These include SDG 1 (no poverty), Goal 2 (zero hunger), Goal 4 (Quality Education), Goal 5 (Gender Equality), Goal 8 (Decent Work and Economic Growth), Goal 9 (Industry, innovation and infrastructure), Goal 10 (Reduced Inequalities), Goal 12 (Responsible Production and Consumption), Goal 16 (Peace, Justice and strong institutions), and Goal 17 (Partnerships for the Goals). The headquarters of the ITC are situated in Geneva, Switzerland. Their staff consists of approximately 300 employees spanning more than 80 nationalities. Furthermore, ITC has country-based project offices where they employ experts from the specific region.

ITC is the successor of the International Trade Information Centre, which the General Agreement on Tariffs and Trade (GATT) established in 1964 "for the purpose of assisting the export promotion efforts of the developing countries" by providing them "with information on export markets and marketing, and to help them develop their export promotion services and train the personnel needed for these services. In an effort to streamline the United Nation's export promotion efforts, an agreement was reached between the GATT, which at that time and in contrast to its successor, the WTO, was part of the United Nations system, and the newly established UNCTAD, to merge the activities of the two organizations by creating a joint subsidiary. The agreement was reached in 1967 and the International Trade Centre (the explicit reference to "information" was dropped) was officially established on 1 January 1968.

(i) Explain the benefits of export promotion as mentioned in the passage (15marks).

(ii) Discuss the Functions of the world trade organization in trade facilitation (15marks)

(iii) Evaluate how the International Trade Centre contributes to sustainable development goals (5marks).

(b) Assume that as of April 4, a futures contract specifying 800,000 Mexican pesos and a June settlement date is priced at $0.09. On April 4, speculators who expect the peso will decline sell futures contracts on pesos. Assume that on June 17 the spot rate of the peso is $ 0.08. Calculate the gain on the futures position (5marks)

QUESTION TWO

2(a) Evaluate the techniques multinational companies use to assess country risk (10marks)

(b) Discuss the main gains to a country from export-oriented industrialization (10marks)

QUESTION THREE

3(a) Evaluate the main sources of funds for multinational companies (10marks)

3(b) Despite the benefits, economic integration has costs. Discuss (10 Marks)

QUESTION FOUR

Explain the main export/import procedure and documentation (20marks)

QUESTION FIVE

5. Discuss the importance of International trade (20marks).