



# **MAASAI MARA UNIVERSITY**

**REGULAR UNIVERSITY EXAMINATIONS**

**2017/2018 ACADEMIC YEAR**

**FOURTH YEAR SECOND SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS**

**BACHELOR OF BUSINESS MANAGEMENT**

**COURSE CODE: BBM 415**

**COURSE TITLE: INTERNATIONAL FINANCE**

**DATE: 20<sup>TH</sup> APRIL 2018**

**TIME: 0830 – 1030 HRS**

---

**INSTRUCTIONS TO CANDIDATES**

1. Answer Question **ONE** and any other **THREE** questions
2. All Examination Rules Apply

*This paper consists of 2 printed pages. Please turn over.*

### Question one

- a) Political risk may discourage international business. Discuss **(7 marks)**
- b) Following the terrorist attack on the United States, the valuations of many MNCs declined by more than 10 percent. Describe five reasons why the expected cash flows of MNCs were reduced, even if they were not directly hit by the terrorist attacks. **(10 marks)**
- c) Discuss any four events that have increased International trade in East Africa **(8 marks)**

### Question two

- a) With example(s) explain five factors that influence change in exchange rates **(5 marks)**
- b) Consider the following actual exchange rates  
**1Kshs = 0.015 dollars**  
**1Tshs = 0.0008 dollars**  
**1Kshs = Tshs 20**  
Compute the gain from triangular arbitrage to an investor with 200,000 dollars to invest **(10 marks)**

### Question three

- a) Explain the meaning of Euro-Issue. **(1 mark)**
- b) Discuss four different kinds of Euro-issues **(4 marks)**
- c) Describe any five factors that should be considered in deciding whether the cost of capital for a foreign affiliate should be higher, lower, or the same as the cost of capital for a comparable domestic operation **(10 marks)**

### Question four

- a) Cinnamon Inc. a company in Kenya wants to cover itself against depreciation of sterling pound. Data given is  
Receivable expected for Cinnamon Inc £ 1,200,000  
Spot rate Kshs. 122/£  
Payment date 3 months  
3 months interest rate  
Kenya: 18% per annum  
UK 5% per annum

### Required

- What should the exporter do? **(10 marks)**
- b) Explain the various forms of foreign exchange exposures **(5 marks)**

### Question five

- a) Distinguish between future contracts and forward markets **(10 marks)**
- b) Describe five reasons why a weak Home Currency Is Not a Perfect Solution to a balance-of-trade deficit. **(5 marks)**

END//