



# **MACHAKOS UNIVERSITY**

**University Examinations for 2020/2021 Academic Year**

**SCHOOL OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF ACCOUNTING BANKING AND FINANCE**

**FOURTH YEAR FIRST SEMESTER EXAMINATION FOR**

**BACHELOR OF COMMERCE (FINANCE)**

**BAC 406 INTERNATIONAL FINANCIAL MANAGEMENT**

**DATE: 16/8/2021**

**TIME: 8.30-10.30 AM**

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## **INSTRUCTIONS:**

**Answer question ONE and any other TWO questions**

### **QUESTION ONE (30 MARKS) (COMPULSORY)**

- a) Transaction exposure is a risk of gain or loss that occurs when a firm engages in commercial transactions in which the currency of the transaction is foreign to the firm.

Explain Four financial techniques that maybe used by a firm to manage this exposure.

(8 marks)

- b) Explain five methods by which firms conduct international business activities. (10 marks)

- c) Explain six benefits of international finance. (12 marks)

- d) Discuss the role of major participants of FOREX market. (10 marks)

### **QUESTION TWO (20 MARKS)**

- a) Explain six unique characteristics of FOREX market (12 marks)

- b) Translation exposure measures the effect of an exchange rate change on published financial statements of a firm. Outline the steps that should be followed in measuring this exposure.

(8 marks)

**QUESTION THREE (20 MARKS)**

- a) Explain Five benefits of foreign direct investment to developing economies. (10 marks)
- a) An exchange-rate regime is the way an authority manages its currency in relation to other currencies and the foreign exchange market. Explain the types of the exchange rate regimes. (10 marks)

**QUESTION FOUR (20 MARKS)**

- a) Explain four important distinguishing features of international finance from domestic financial management. (8 marks)
- b) Explain the six commonly employed proactive policies used in managing economic exposure. (12 marks)

**QUESTION FIVE (20 MARKS)**

- a) Explain five factors to consider in multinational capital budgeting. (10 marks)
- b) Explain five forms of incentives that may be used to foster foreign direct investment. (10 marks)