MACHAKOS UNIVERSITY

University Examinations for 2018/2019 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BANKING, ACCOUNTING & FINANCE

FOURTH YEAR SPECIAL/SUPPLEMENTARY EXAMINATION FOR

BACHELOR OF COMMERCE

BAC 406: INTERNATIONAL FINANCIAL MANAGEMENT

DATE: **TIME:**

INSTRUCTIONS: Attempt Question One and any other Two Questions

QUESTION ONE

a) Discuss the four factors that influence foreign exchange market in developing nations. (10 marks)

b) Elaborate on the significance of using derivatives by multinational companies in managing international risks. (10 marks)

c) Global multinational companies operating in United States and China are faced with punitive cross border tariffs and restrictions. Discuss strategies that MNCs can adopt to manage risk arising from political instability of the leading economies. (10 marks)

QUESTION TWO

a) Central Bank of Kenya (CBK) in collaboration with International Monetary Fund (IMF) plays a key role of maintaining a suitable ecosystem that foster international trade. Discuss five roles of IMF in Kenya. (10 marks)

b) Identify and explain five benefits that accrue to Kenya by allowing multinational companies to operate in Kenya. (10 marks)

QUESTION THREE

a) Discuss the five (5) functions of currency markets. (10 marks)

b) Describe the features of modern financial crises. (10 marks)

QUESTION FOUR

a) Differentiate between transaction exposure and translation exposure. (5 marks)

b) Elaborate seven (7) strategies adopted by multinational companies to minimize transaction exposure. (14 marks)

QUESTION FIVE

a) Discuss the benefits of international finance in developing countries. (10 marks

b) Discuss factors that influence international capital budgeting. (10 marks)