MACHAKOS UNIVERSITY

University Examinations for 2016/2017 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ENTREPRENEURSHIP AND MANAGEMENT SCIENCES

FOURTH YEAR FIRST SEMESTER EXAMINATION FOR DEGREE IN

BACHELOR OF COMMERCE

BAC 406: INTERNATIONAL FINANCIAL MANAGEMENT

DATE: 30/5/2017 **TIME: 11: 00 – 1:00 PM**

INSTRUCTIONS:

Answer Question One and Any Other Two Questions

QUESTION ONE (COMPULSORY) (30 MARKS)

a) Explain the following terminologies;

i International Financial Management. (2 marks)

ii Call option & Put option, (2 marks)

iii Foreign Exchange risk. (2 marks)

iv Eurobond & foreign bond (2 marks)

v Leading and lagging (2 marks)

b) Identify and explain different types of exchange regimes. (10 marks)

c) Discuss the gains that accrue from international financial markets. (10 marks)

QUESTION TWO (20 MARKS)

a) Identify and explain the roles of different market participants of foreign exchange market. (10 marks)

b) Briefly explain the functions of World Bank in relation to alleviating poverty in developing countries. (10 marks)

QUESTION THREE (20 MARKS)

a) Describe different financial instruments of the international financial markets (10 marks)

b) Discuss the approaches adopted by multinational companies in managing political risk. (10 marks)

QUESTION FOUR (20 MARKS)

a) Explain meaning of transaction exposure. (5 marks)

b) Discuss various strategies adopted to mitigate transaction exposure. (15 marks)

QUESTION FIVE (20 MARKS)

a) Discuss the benefits of Foreign Direct Investment in Kenya. (10 marks)

b) Discuss factors that influence exchange rate for currency. (10 marks)