MACHAKOS UNIVERSITY

University Examinations for 2016/2017 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARMENT OF BANKING, ACCOUNTING & FINANCE

FOURTH YEAR FIRST SEMESTER EXAMINATION FOR BACHELOR OF COMMERCE

BAC 406: INTERNATIONAL FINANCIAL MANAGEMENT

DATE: 27/7/2017 **TIME: 2:00 – 4:00 PM**

INSTRUCTIONS:

Answer question ONE and Any other TWO questions.

QUESTION ONE (COMPULSORY) (30 MARKS)

a) Describe the characteristic of foreign exchange market. (10 marks)

b) Compare and contrast between future and forwards. (10 marks)

c) Describe the Bretton Woods system, highlight its limitations. (10 marks)

QUESTION TWO (20 MARKS)

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

b) Enumerate gains that accrue to multinational companies in participating in international financial markets. (10 marks)

QUESTION THREE (20 MARKS)

a) Describe various types of financial instruments traded in the international money markets. (10 marks)

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

QUESTION FOUR (20 MARKS)

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

b) Differentiate between Eurobond and foreign bond. (5 marks)

c) Describe various strategies adopted by multinational companies to mitigate transaction exposure. (10 marks)

QUESTION FIVE (20 MARKS)

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

b) Evaluate the various factors that influence exchange rate of currency in Kenya. (10 marks)