



OFFICE OF THE DEPUTY PRINCIPAL
ACADEMICS, STUDENT AFFAIRS AND RESEARCH

UNIVERSITY EXAMINATIONS

2020 /2021 ACADEMIC YEAR

FOURTH YEAR SECOND SEMESTER REGULAR
EXAMINATION

**FOR THE DEGREE OF BACHELOR OF
ECONOMICS**

COURSE CODE: ECO 424

COURSE TITLE: INTERNATIONAL ECONOMICS II

DATE: 20th July 2021

TIME: 8:00AM - 11:00AM

INSTRUCTION TO CANDIDATES

- SEE INSIDE

THIS PAPER CONSISTS OF 3 PRINTED PAGES

PLEASE TURN OVER

REGULAR – MAIN EXAM

ECO 424: INTERNATIONAL ECONOMICS II**STREAM: BA ECONOMICS****DURATION: 3****Hours****INSTRUCTIONS TO CANDIDATES**

- i. Answer Question **ONE** and any other **TWO** questions.*
- ii. Maps and diagrams should be used whenever they serve to illustrate the answer.*
- iii. Do not write on the question paper.*

Question one (30 marks)

- i. Clearly explain the following concepts as used in International trade
 - a. Law of one party (3 marks)
 - b. Speculation (3 marks)
- ii. Explain three main functions of the spot market in Foreign exchange market (10 marks)
- iii. Highlight any four forms of money that have ever been used. (4 marks)
- iv. Discuss five aims of establishing International Monetary Fund (10 marks)

Question two

Clearly explain the exchange rate regimes

- a. Flexible exchange regime (10 marks)
- b. Pegged exchange rate regime (10 marks)

Question three

- i. Differentiate between balance of payment and balance of trade (10 marks)
- ii. Recently Kenyans petitioned the International Monetary Fund (IMF) to deny Kenya its request for loans. Clearly explain some of the criticisms leveled against this institution. (10 marks)

Question four

- i. Residents of any country demand foreign currency in the foreign exchange markets. Clearly explain any four reasons
(10 marks)
- ii. Explain the stages of modern economic integration (10 marks)

Question five

- i. Discuss any five gains of international trade (10 marks)
- ii. Explain five functions of world trade organization (10 marks)