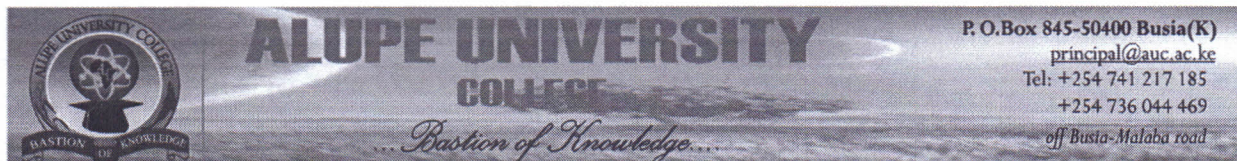


BBM 410



OFFICE OF THE DEPUTY PRINCIPAL
ACADEMICS, STUDENT AFFAIRS AND RESEARCH

UNIVERSITY EXAMINATIONS

2020 /2021 ACADEMIC YEAR

FOURTH YEAR FIRST SEMESTER MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

COURSE CODE: BBM 410

COURSE TITLE: INTERNATIONAL FINANCE

DATE: 20TH MARCH, 2021

TIME: 9AM – 12.00 NOON

INSTRUCTION TO CANDIDATES

- SEE INSIDE

THIS PAPER CONSISTS OF 3 PRINTED PAGES

PLEASE TURN OVER

REGULAR/ MAIN

BBM 410: INTERNATIONAL FINANCE

STREAM: BBM

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

- (a) What factors are most likely to hold back Kenyan investors from utilizing international finance acquaintance? (8 marks)
- (b) What criteria are used to arrive at the conclusion that foreign exchange market is inefficient (6 marks)
- (c) You have been appointed as a finance analyst with specialization in foreign exchange markets. Present to the management the key factors affecting exchange rates (8 Marks)
- (d) Using the Kenya's context, how reliable are the following;
 - (i) Multilateral flows (2 marks)
 - (ii) Foreign direct investment (2 marks)
- (e) Structural adjustment program (SAPs) mandated by the major international financial institution is crucial especially in developing countries. Discuss. (4 Marks)

QUESTION TWO

- (a) Contrast the exchange rate systems in Kenya (6 marks)
- (b) Illustrate the relationship between the spot and the forward exchange (6 Marks)
- (c) The following information has been provided relating to sterling pound and dollar;

Dollar interest rate – 6%
Sterling pound interest rate – 7%
Spot exchange rate - \$1.53/£1

Required;

- (i) Forward exchange rate (6 marks)
- (ii) Forward discount/ premium (2 marks)

QUESTION THREE

- (a) Support the statement that international equity market is on the rise. (6 Marks)
- (b) Highlight ways in which international money market lend a hand to the multinational enterprises during the COVID-19 pandemic (4 Marks)
- (c) Explain the factors that may have made the domestic financial markets 'unattractive' for most investors (10 marks)

QUESTION FOUR

In the recent past, Kenya has pumped more resources to establish strong international trade relations with other countries. In view of this, answer the following questions;

- (i) Enumerate the remedies for balance of payment (BOP) deficit (4 marks)
- (ii) Political factors in most developing countries play a role in accelerating the disequilibrium in the BOP. Justify. (4 marks)
- (iii) Why is international trade a double edged sword? (12 marks)

QUESTION FIVE

- (a) Make a distinction between the net present value(NPV) and the adjusted present value (APV) (4 marks)
- (b) You have been appointed to give a talk regarding the three stage approach in capital budgeting analysis. Proceed. (6 marks)
- (c) A multinational company based in Kenya wishes to choose between project X and Y. Using the knowledge acquired under the discounted cash flow analysis in international capital budgeting, advise the company using the sing the modified internal rate of return (MIRR) technique if the hurdle rate if 8% (10 marks)

Year	Project X cash flows (Shs.)	Project Y Cash flows (Shs.)
0	(12 million)	(18 million)
1	6 million	8 million
2	8 million	10 million
3	4 million	10 million
