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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR
FOURTH YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 28th July, 2022
Time: 11.30am – 1.30pm

KFI 401 - MULTINATIONAL FINANCIAL MANAGEMENT

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) One student in a heated group discussion was concerned as to whether there is any need to study multinational financial management. Discuss. (4 Marks)
- b) Briefly outline three broad forms of Foreign Direct Investments. (6 Marks)
- c) Outline the importance of ratios in multinational financial management. (6 Marks)
- d) A multinational firm that recently set up base in East Africa is perturbed by local challenges of borrowing from the financial institutions in the region. The dilemma is so concerning that the CEO has reached out to you as a consultant. You are requested to advise on why the firm should borrow funds from the Euromarkets. (6 Marks)
- e) The world of business has been changing so fast during the last one decade. This has had an effect on multinational organizations that carry on their business operations in many countries spread across the globe. You are required to elucidate the importance of integrated financial markets (6 Marks)
- f) What is a Foreign Bond? (2 Marks)

QUESTION TWO (20 MARKS)

- a) What is your understanding of foreign currency futures? (2 Marks)
- b) With specific reference to Multinational Corporations, distinguish Mergers from Acquisitions. (4 Marks)
- c) Discuss an international accounting and taxation strategy that would favor a global manufacturing firm. (4 Marks)
- d) Describe a Bilateral Relief. (3 Marks)
- e) Explain reasons for the need of foreign capital in international business firms. (4 Marks)
- f) What are the important determinants of capital structure in a multinational corporate entity. (3 Marks)

QUESTION THREE (20 MARKS)

- a) A new finance manager has called you in a meeting whose agenda is shareholders dividends. Update him on what should be taken into consideration by a multinational corporate entity while declaring and distributing dividends. (5 Marks)
- b) Describe the characteristics of a multinational company that might cause its cash flow to be more volatile than a purely domestic firm. (6 Marks)
- c) Discuss Euromarkets in respect to multinational financing. (3 Marks)
- d) Explain briefly the term `` euroequity`` (6 marks)

QUESTION FOUR (20 MARKS)

- a) Briefly outline the possible effects of market segmentation on the cost of capital in regard to multinational trade (10 Marks)
- b) A newly elected president in Africa with little international finance prowess has summoned the inaugural cabinet meeting and one of the agenda is promotion of local companies. Discuss reasons that would make a host country be uncomfortable with a large presence of multinational corporations. (10 Marks)

QUESTION FIVE (20 MARKS)

- a) Discuss factors that can affect the cost of capital of a multinational business. 10 Marks)
- b) Briefly explain difficulties of international capital budgeting decisions in the multi-corporate entities. (4 Marks)
- c) A board member of a multinational firm was in a meeting and could not follow proceedings well due to the frequent use of the word ``Transfer Pricing`` by the CEO. Elucidate. (6 Marks)