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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2023/2024 ACADEMIC YEAR
FOURTH YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 11th December, 2023
Time: 2.30pm –4.30pm

KFI 400 -INTERNATIONAL FINANCE

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

Kamata Corporation

- a) Kamata Corporation, a multinational company with operations spanning North America, Europe, and Asia, is grappling with challenges related to foreign exchange (forex) and the volatility of exchange rates. Kamata Corporation operates in the technology sector, manufacturing and selling electronic devices and software solutions. The company's revenue streams are significantly impacted by fluctuations in currency exchange rates, given its widespread global presence. Global economic uncertainties have led to increased volatility in currency exchange rates. Kamata Corporation's financial performance is directly affected, with revenue and costs subject to constant fluctuations. Kamata Corporation historically employed various strategies to manage forex risks. Questions arise regarding the effectiveness of current risk management practices.
- i) Conduct a thorough analysis of the impact of exchange rate volatility on XYZ Corporation's financial statements. (5 marks)
 - ii) Evaluate the effectiveness of XYZ Corporation's existing forex risk management strategies. (5 marks)
- b) Discuss four types of intellectual properties that companies will give the right to others in trying to conduct the business in those countries. (4 marks)
- c) One of the major indicators of the stock market development is the increase in the varieties of the products dealt with in the market such as derivatives. Explain why derivative trading is absent in the developing markets such as the Nairobi Stock Exchange. (5 marks)
- d) Discuss the main reasons for studying international finance. (6 marks)
- e) Differentiate between forward and future currency derivative. (5 marks)

QUESTION TWO (20 MARKS)

- a) For the past years the world's different currencies have been affected due to the pandemic. Which is the best exchange rate system would you advice the government to adapt and why?.
(8 marks)
- b) Explain how the MNCs will help their countries in surviving tough times of the economy.
(6 marks)
- c) Discuss ways in which world bank advances loans to developing countries.
(6 marks)

QUESTION THREE (20 MARKS)

- a) Explain how the adoption of the single currency by African countries could be beneficial to MNCs based in Africa and to MNCs based in the rest of the world.
(6 marks)
- b) World bank has giving finances to various developing countries. Discuss the key role played by this institution especially during this pandemic other than giving finances.
(8 marks)
- c) Explain characteristics and participants of the foreign exchange market.
(6 marks)

QUESTION FOUR (20 MARKS)

- a) Exchange rate is simply the price of one currency in terms of another. There are two methods of expressing exchange rate: -
- i) Foreign exchange units per unit of the domestic currency. For example, taking the Kenya shilling as the domestic currency, we can have approximately Kshs. 85.6 required to purchase one US dollar (Kshs. 85.6/\$1)
- ii) Foreign units per unit of domestic currency. Again, taking Kenya Shillings as a domestic currency, we can have approximately \$0.01162/Kshs.1 required to obtain one pound.
Discuss the factors that will affect the increase and decrease movement of exchange rate.
(8 marks)
- b) Explain the main functions of foreign exchange markets.
(6 marks)
- c) The decision to invest capital in a project abroad should be based upon consideration of expected return and risk just like investing locally. However, these factors are different in different countries. Discuss reasons for foreign investment.
(6 marks)

QUESTION FIVE(20 MARKS)

- a) Explain the difference between franchising and licensing and give three examples in each case.
(10 marks)
- b) The IMF's statutory purposes include promoting the balance expansion of world trade, the stability of exchange rates, the avoidance of competitive currency devaluations, and the orderly correction of a county's balance of payments problems. Discuss the purpose of this institution.
(5 marks)
- c) Describe the factors to consider when choosing between domestic and euro markets.
(5 marks)