



Kasarani Campus
Off Thika Road
Tel. 2042692 / 3
P. O. Box 49274, 00100
NAIROBI
Westlands Campus
Pamstech House
Woodvale Grove
Tel. 4442212
Fax: 4444175

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: 18th April, 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)

- a) Consider UK importer who is due to pay for goods from the US to the value of \$15,500 in one year's time. Let us suppose that the spot exchange rate is \$1.60/£1 while the one-year forward exchange rate is \$ 1.55/£1.
Required:
- i) Calculate the amount to pay if he buys dollar at forward exchange rate. (2 marks)
 - ii) If he does not buy forward today, he runs the risk that in one year's time the spot exchange rate may be worse than \$ 1.55/£1. Let assume it will have gone down to \$1.30/£1 .How much will he pay at that spot rate? (2 marks)
 - iii) Calculate the difference between the current spot rate and the future spot rate. (2 marks)
- b) Discuss the main reasons for studying international finance. (6 marks)
- c) Discuss three types of intellectual properties that companies will give the right to others in trying to conduct the business in those countries . (6 marks)
- d) 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 three reasons why derivative trading is absent in the developing markets such as the Nairobi Stock Exchange. (6 marks)
- e) Assume the Kenya Inflation rate fall relative to Ugandan inflation rate. Other things being equal, how should this affect the:
- i) Kenya demand for Tanzania shillings (3 marks)
 - ii) Supply of Tanzania shilling for sale (3marks)

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 .
(2 marks)
- b) Discuss the reasons for the above answer.
(8 marks)
- c) Explain how the MNCs will help their countries in surviving tough times of the economy.
(10 marks)

QUESTION THREE (20MARKS)

- 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.
(10 marks)
- b) World bank has been giving finances to various developing countries. Discuss five key role played by this institution especially during this pandemic other than giving finances.
(10 marks)

QUESTION FOUR (20MARKS)

- a) Exchange rate is simply the price of one currency in terms of another. There are two methods of expressing exchange rate:-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) 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.
(10 marks)
- b) A recent quote for the USD/KES exchange rate was 110.50 Kenyan shillings to 1 USD. If your market analysis has led you to expect an increase in the USD/KES exchange rate, then you might be able to buy 100,000 U.S. dollars against the Kenyan shilling today at that 110.50 exchange rate. If the USD/KES exchange rate then rose to 111.50.Calculate the trading profit.
(4 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) Differentiate 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.
(10 marks)