



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF HEALTH SCIENCES
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS
ADMINISTRATION WITH IT
4TH YEAR 2ND SEMESTER 2019/2020 ACADEMIC YEAR

COURSE CODE: ABA 419

COURSE TITLE: INTERNATIONAL FINANCE

EXAM VENUE:

STREAM: (BBA FINANCE)

DATE:

EXAM SESSION:

TIME: 2 HOURS

Instructions:

- 1. Answer questions ONE and ANY other 2 questions**
- 2. Candidates are advised not to write on the question paper.**
- 3. Candidates must hand in their answer booklets to the invigilator while in the examination room**

QUESTION ONE.

A.) Explain International Finance. Why is it important to study international financial management in schools? (4marks)

B.) The following information relates to inflation and exchange rate in Kenya and Rwanda:

	Kenya	Rwanda
Annual inflation rate	7%	5%
Exchange rate: 1 st August 2013	9RFr = 1Ksh	

Required:

Using the purchasing power parity theory, estimate the exchange rates between the 2 currencies on:

i.) 31st July 2014.

ii.) 31st July 2015. (4marks)

C.) Explain five benefits that would accrue to a company from cross boarder listing of its shares. (5marks)

D.) Describe the meaning and functioning of the following bond markets:

i.) Eurobond market.

ii.) Dollar bond market.

iii.) Pound bond market.

iv.) Yen bond market. (8marks)

E.) With relevant examples, explain the following methods of hedging against transaction exposure risks:

i.) Exposure netting.

ii.) Currency options.

iii.) Leading and lagging (9marks)

QUESTION TWO.

Governments of many developing countries have experienced problems in servicing their international debt obligations leading to a global debt crisis.

Required:

a.) Briefly explain the nature of these debt crises. (6marks)

- b.) What approaches have been used in mitigating problems related to the debt crises? (8marks)
- c.) What benefits would accrue to the multinational companies as a result of resolving the debt crises? (6marks)

QUESTION THREE.

- A.) A company that has its operations across borders has been making losses due to poor management of its resources that could cause it to close down some of its operations. The company has approached you as a Finance student for advice on how it can save the situation. Explain seven techniques you would advise the management to adopt to minimise their cash outflows. (14marks)
- B.) Explain the process of inventory management in a multinational company. (6marks)

QUESTION FOUR.

- A.) A Kenyan multinational company has its subsidiary in South Africa where its income is taxed at 20 per cent. Withholding tax rate is 5 per cent. Corporate firms in Kenya are subject to tax of 35 per cent; however, corporate firms having their subsidiaries abroad are allowed tax credit.

Required:

Determine the amount of tax credit available to a subsidiary having remitted Kshs 4 million after-tax-earnings as dividends. (6marks)

- B.) Explain incremental cash flows of a capital project as used in International Finance and relate it to the concept of lost sales? (10marks)

- C.) What makes the Adjusted Present Value (APV) capital budgeting framework useful for analysing foreign capital expenditures? (4marks)

QUESTION FIVE.

- A.) Explain five factors determining return on securities in different countries, give examples for each factor. (10marks)
- B.) Risk identification and mitigation is very crucial for economic development a nation. Identify the process of political risk management. (10marks)