



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND
TECHNOLOGY**

**UNIVERSITY EXAMINATIONS FOR BACHELOR DEGREE IN
BUSINESS ADMINISTRATION**

END OF SEMESTER EXAMINATION FOR 2016 ACADEMIC YEAR

4TH YEAR 2ND SEMESTER 2016/2017 ACADEMIC YEAR

KENDU BAY LEARNING CENTRE

COURSE CODE: ABA 419

COURSE TITLE: INTERNATIONAL FINANCE

INSTRUCTIONS:

- 1. Answer question ONE and any other two**
- 2 . Candidate are advised not to write on the question paper.**
- 3. Candidates must hand in their answer booklet to the invigilator before leaving the exam room**

QUESTION ONE (Compulsory)

- a) Define the term International Finance (2 marks)
- b) Explain the term loan Syndication (3 marks)
- c) Define Project finance and explain why it is preferred by the private sector (5 marks)
- d) Explain the following types of exposure that a firm transacting in foreign markets may encounter:
- I. Transaction exposure (3 marks)
 - II. Economic exposure (3 marks)
 - III. Translation exposure (3 marks)
- c) List the economic and financial fundamentals that every financial analyst would use to measure and analyze the suitability of a country as a suitable and safe investment destination. (8 marks)
- e) What is the importance of carrying out political and country risk analysis before deciding on foreign investment destination (3 marks)

QUESTION TWO

- a) When considering international investments, there are three types of markets from which to choose . Elaborate (15 marks)
- b) Inventory management is one of the key areas of working capital management. Enumerate the assets which firms store as inventory in anticipation of need. (5 marks)

QUESTION THREE

- a) Explain the roles of an international financial manager (12 marks)
- b) List the important investment approaches and decisions that should be taken when investing overseas (8 marks)

QUESTION FOUR

- a) What factors motivates companies to invest capital abroad (10 marks)
- b) Define the term Financial innovation (2 marks)
- c) Explain the following terms as used in financial innovation

- i. Credit rating (2 marks)
- ii. Credit cycle (2 marks)
- iii. Bank credit (2 marks)
- iv. Credit limit (2 marks)

QUESTION FIVE

- a) What is the difference between International Financial Management and Domestic Financial Management (5 marks)
- b) Explain the importance of International Financial Management (3 marks)
- c) Explain the following methods of forecasting currency changes
 - i. Purchasing power parity (3 marks)
 - ii. Relative Economic Strength Approach (3 marks)
 - iii. Econometric models (3 marks)
 - iv. Time series models (3 marks)