JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF BUSINESS & ECONOMICS

UNIVERSITY EXAMINATION FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA) FOR

SECOND YEAR SEMESTER ONE ACADEMIC YEAR 2018/2019

KISUMU CAMPUS/KISII

COURSE CODE: MBA 821

COURSE TITLE: INTERNATIONAL ACCOUNTING

EXAM VENUE:

DATE: 10/12/19 **EXAM SESSION: 2.00 – 5.00PM**

DURATION: 3 HOURS

INSTRUCTIONS

1. **Answer ANY FOUR questions. Each question carries equal marks.**
2. **Candidates are advised not to write on the question paper**
   Candidates must hand in their answer booklets to the invigilator while in the examination

QUESTION ONE

a) Differentiate Eurobond from a foreign bond **(2.5marks)**

b) Briefly explain the following

i) Currency swaps

ii) Commercial papers

iii) Country risk analysis

iv) Political risk

v) Capital flight **(2.5 marks)**

c) Differentiate the theory of comparative advantage from Heckscher Ohlin theory of factor endowment **(2.5 marks)**

d) Read the extract and answer questions that follows;

Given its large volume of international business, Nike closely monitors any existing or potential trade barriers. In 2014, the European commission imposed timely anti-dumping taxes on some shoes imported from China and Indonesia. Nike produces some shoes in these countries that are then shipped to Europe Countries. Although the taxes were not focused on athletic shoes, Nike was prepared if its exports to Europe should be subjected to such taxes, specifically, Nike was ready to shift some production if its athletic shoes exported to Europe were subject to anti-dumping taxes.

i) Why would Nike produce shoes in Indonesia to be sold in Europe **(2. 5marks)**

ii) If anti- dumping taxes are imposed how could Nike shift the production so that it would not be subject to such taxes **(2.5marks)**

QUESTION TWO

a) Evaluate the functions of foreign Exchange Markets **(5marks)**

b) Discuss the effect of international fisher on returns of an importing firm in Kenya **(5marks)**

c) Wancom, Kenya Ltd imports computers worth $3.0 million and is to pay after 3 months. On the day contract, the rates are:

Spot: Ksh. 74.2378/ $ 3 months forward: Ksh 77.1523/ $

i) There is anticipation for the fall of shillings. What can Wancom do? **($2^1/_2$marks)**

ii) What should Wancom do if it knows that there is high probability that in 3 months, dollar will settle at Ksh 75.2412/ $ **($2^1/_2$marks)**

QUESTION THREE

a) Discuss the benefits of international finance in a developing country **(10marks)**

b) XYZ Company Ltd considering a Project whose initial outlay is sh. 100,000. Its annual cash flow are expected to be as follows:

YEAR	1	2	3	4	5
CFS sh 000'	35	35	35	35	35
ECE	0.9	0.8	0.9	0.3	0.2

The discounting rate is 10% and risk, free rate is 8 % (International)

Required

i) Determine the NPV of the project without adjusting **($2^1/_2$marks)**

ii) Determine the NPV of the project after adjusting for the risk **($2^1/_2$marks)**

c) The direct quote between the $ and £ is £1 = $2.5 and that the inflation rate in UK is 10% and the inflation rate in the USA is 6%.

QUESTION FOUR

a) Describe the factors affecting international financial structures **(7.5marks)**

b) Evaluate the political risks effects on international financing decisions **(7.5marks)**

QUESTION FIVE

a) Discuss the role of International Monetary Funds in developing countries (IMF) **(8marks)**

b) Explain the influence of domestic borrowings in developments of ins fractures in Kenya **(7 marks)**