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GABA CAMPUS – ELDORET
MAIN EXAMINATION
SEPTEMBER – DECEMBER 2021 TRIMESTER
SCHOOL OF BUSINESS
BACHELOR OF COMMERCE
DEPARTMENT OF ACCOUNTING AND FINANCE
CFI 423: INTERNATIONAL FINANCE

Date: December 2021	Duration: 2 Hours
Instructions: Answer Question ONE and any other TWO Questions	

QUESTION ONE

- a) Due to the current changes brought about by globalization of industrial activities and liberalization of trade among nations, international finance has become useful. Outline the advantages of international finance **(2 Marks)**
- b) The world trade organization (WTO) is an international body dealing with rules relating to international business operations. Discuss the benefits and usefulness of World Trade Organization **(5 Marks)**
- c) In July 1944, some leads national of the world met at a conference in Bretton Wood, New Hampshire in the USA and decided to form the twin institutions namely International Monetary Fund (IMF) and World Bank. Discuss the criticisms/shortcomings of the International Monetary Fund (IMF) and World Bank. **(5 Marks)**
- d) The foreign exchange Market is a place where foreign moneys are bought and sold. Explain the functions of the foreign exchange Market. **(5 Marks)**
- e) Discuss the financial strategies that are involved in currency risk management. **(5 Marks)**

f) Write in details the shortcomings of NPV method while evaluating capital budgeting for an international project. **(3 Marks)**

g) Explain in your own words how international double taxation may arise **(5 Marks)**

QUESTION TWO

(a) Discuss the basic concepts and reasons of international trade **(10 Marks)**

(b) What are the adjustments needed in NPV for making it suitable for evaluation of international capital budgeting decisions? **(10 Marks)**

QUESTION THREE

(a) The balance-of-payments transactions are classified into four major groups. Explain the four major groups into which balance-of-payment accounts can be classified **(10 Marks)**

(b) Explain the objectives of the New International Economic Order based on the proposals of the UN Resolutions from the UN General Assembly in April, 1974. **(10 Marks)**

QUESTION FOUR

(a) Describe how countries can adjust the balance of payment transactions in order to restore international equilibrium **(10 Marks)**

(b) Explain currency risk management in international operations management. **(10 Marks)**

QUESTION FIVE

(a) Explain the five major theories of exchange rate determination **(10 Marks)**

(b) What constitutes efficiency of foreign exchange Market? Explain the efficiency of the foreign exchange Market. Explain the reasons why Market efficiency is regarded as an important bench Mark of a foreign exchange Market. **(5 Marks)**

(c) Explain hedging function as a function of the foreign exchange Market **(5 Marks)**

END