



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

A. M. E. C. E. A

P.O. Box 62157
00200 Nairobi - KENYA
Telephone: 891601-6
Fax: 254-20-891084
E-mail: academics@cuea.edu

MAIN EXAMINATION

MAY – JULY 2019 TRIMESTER

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING AND FINANCE

SPECIAL / SUPPLEMENTARY EXAMINATION

CBF 412: INTERNATIONAL TRADE FINANCE

Date: JULY 2019

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and any other TWO Questions

Question One

- a) Briefly explain what country risk is and give an illustration **(10 marks)**

- b) Clearly explain the difference between International monetary fund (IMF) and the international monetary system (IMS) **(10 marks)**

Question Two

Write short notes on the following:

- a) Economic and monetary union (EMU) **(5 Marks)**
- b) The letter of credit **(5 Marks)**
- c) Bill of lading **(5 Marks)**
- d) Currency risk **(5 Marks)**

Question Three

- a) What is the major difference between “currency risk” and “risk of noncompletion?” How are these risks handled in a typical international trade transaction? **(10 marks)**

- b) Explain the difference between a letter of credit (L/C) and a draft (10 Marks)

Question Four

- a) State the types of trade restrictions and their effects (10 Marks)
- b) With clear explanation, give two types of financial innovations and explain how they can be useful for international trade. (10 Marks)

END