



FACULTY OF BUSINESS MANAGEMENT
END OF SEMESTER EXAMINATIONS - APRIL 2025

PROGRAMME: MBA

YEAR/SEM: YEAR 2/SEMESTER 1

COURSE CODE: MBA 812

NAME: INTERNATIONAL FINANCE

DATE: 2025-04-16

TIME: 2:00-5:00PM

INSTRUCTIONS TO CANDIDATES:

1. Read the instructions very carefully
2. The time allowed for this examination is STRICTLY three hours
3. Read each question carefully before you attempt and allocate your time equally between all the Sections
4. Write clearly and legibly. Illegible handwriting cannot be marked
5. Number the questions you have attempted
6. Use of appropriate workplace examples to illustrate your answers will earn you bonus marks
7. Any examination malpractice detected will lead to automatic disqualification.

DO NOT WRITE ANYTHING ON THE QUESTION PAPER

Section A SECTION A IS COMPULSORY

Question 1:

CASE STUDY

The financial system plays the key role in the economy by stimulating economic growth, influencing economic performance of the actors, affecting economic welfare. This is achieved by financial infrastructure, in which entities with funds allocate those funds to those who have potentially more productive ways to invest those funds. A financial system makes it possible a more efficient transfer of funds.

As one party of the transaction may possess superior information than the other party, it can lead to the information asymmetry problem and inefficient allocation of financial resources. By overcoming the information asymmetry problem, the financial system facilitates balance between those with funds to invest and those needing funds.

According to the structural approach, the financial system of an economy consists of three main components: What are the Three components in the Economy and their specific role (40 Marks)

Section B ATTEMPT ANY THREE QUESTIONS FROM THIS SECTION

Question 1:

- i) What are the financial intermediaries and their functions? (10Marks)
- ii). Explain with Examples what you understand of the term international trade. (10Marks)

Question 2:

A financial market is a market where financial instruments are exchanged or traded. Financial markets provide the following three major economic functions:

- i) Price discovery
- ii) Liquidity
- iii) Reduction of transaction costs

Explain with Examples your Understanding of the above three Major Economic Functions (20Marks)

Question 3:

- i). There are many types of participants in the foreign exchange market:
One of the Participants are the Banks. What are Roles of Central Bank and the Commercial Banks in the International Finance?
(10 Marks)
- ii). Explain with examples the difference between Spot and Forward Exchange Rates
(10 Marks)

Question 4:

The Traditional Theory of Capital Structure. This theory or approach of capital structure is mix of net income approach and net operating income approach of capital structure. It has three stages which you should understand: Explain the three stages (20Marks)

Question 5:

- A. Discuss the difference between Flexible Exchange rates and Fixed Exchange Rates. (10 Marks)
- B. What is the Absolute Advantage of International Trade. (10 Marks)

Question 6:

Explain with Examples how the following three key roles which the Commercial banks play in the international transactions:

- A. Operate the payment mechanism
- B. Extend credit
- C. Help to reduce risk.