# MACHAKOS UNIVERSITY

**University Examinations 2021/2022 Academic Year**

**SCHOOL OF BUSINESS, ECONOMICS, HOSPITALITY AND TOURISM MANAGEMENT**

**DEPARTMENT OF BUSINESS ADMINISTRATION AND FINANCE**

**FOURTH YEAR FIRST SEMESTER EXAMINATION FOR**

**BACHELOR OF COMMERCE FINANCE (OPTION)**

**BAC 406 INTERNATIONAL FINANCIAL MANAGEMENT**

**DATE: 2/9/2022** **TIME: 11.00-1.00 PM**

**INSTRUCTIONS**

- Answer question **ONE (Compulsory)** and any other **TWO questions**

**QUESTION ONE (30 MARKS)**

a) Transaction exposure is a risk of gain or loss that occurs when a firm engages in commercial transactions in which the currency of the transaction is foreign to the firm.

Explain Four financial techniques that maybe used by a firm to manage this exposure.(8 marks)

b) Explain five important distinguishing features of international finance from domestic financial management.

(10 marks)

c) Explain the six commonly employed proactive policies in managing economic exposure. (12 marks)

**QUESTION TWO (20 MARKS)**

a) Explain five factors to consider in multinational capital budgeting. (10 marks)

b) Explain five forms of incentives that may be used to foster foreign direct investment. (10 marks)

**QUESTION THREE (20 MARKS)**

a) Explain Five benefits of foreign direct investment to developing economies. (10 marks)

b) An exchange-rate regime is the way an authority manages its currency in relation to other currencies and the foreign exchange market.

Explain the types of the exchange rate regimes. (10 marks)

**QUESTION FOUR (20 MARKS)**

a) Explain five methods by which firms conduct international business activities. (10 marks)

b) Discuss the role of major participants of FOREX market. (10 marks)

**QUESTION FIVE (20 MARKS)**

a) Explain six unique characteristics of FOREX market (12 marks)

b) Translation exposure measures the effect of an exchange rate change on published financial statements of a firm.

Outline the steps that should be followed in measuring this exposure. (8 marks)