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*(KNOWLEDGE FOR DEVELOPMENT)*

**KIBABII UNIVERSITY  
UNIVERSITY EXAMINATIONS  
2017/2018 ACADEMIC YEAR  
YEAR ONE FIRST SEMESTER  
MAIN EXAMINATION**

**FOR THE DIPLOMA IN BUSINESS MANAGEMENT**

**COURSE CODE: EDB 108**

**COURSE TITLE: INTERNATIONAL TRADE**

**DATE:**

**02/08/2018**

**TIME: 2.00 P.M**

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**INSTRUCTIONS TO CANDIDATES**

Answer Question One in Section A and Any other TWO (2) Questions in Section B

TIME: 2 Hours

KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 2 Printed Pages. Please Turn Over.

**QUESTION ONE (30 MARKS) ( COMPULSORY)**

- a) Define the term international trade. [2marks]
- b) Explain the following terms as used in international trade.
- i. Product life [2marks]
  - ii. Foreign exchange market. [2marks]
  - iii. Foreign Direct Investment. [2marks]
  - iv. Swaps [2marks]
  - v. Exchange rate determination. [2marks]
- c) Discuss the participants of foreign exchange market. [8marks]
- d) Discuss the reasons for development of international trade. [10marks]

**SECTION B [40 MARKS] ( CHOOSE ANY TWO QUESTIONS)**

**QUESTION TWO [20MARKS]**

- a) Briefly discuss the factors affecting exchange rate. [5marks]
- b) Distinguish between domestic and international trade. [10marks]
- c) Define the term Swap market and explain the different kinds of Swap. [5marks]

**QUESTION THREE [20 MARKS].**

- a) What is the role of the government in restriction of international trade, [10marks].
- b) Discuss the components of balance of payments. [5marks].
- c) Discuss the determination of equilibrium exchange rate in international trade. [5marks]

**QUESTION FOUR [20 MARKS]**

- a) Explain the comparative advantage of international trade. [4marks]
- b) Illustrate using diagram the product life cycle. [8marks].
- c) Explain the different methods used in foreign exchange market, [5marks]
- d) Define the term exchange rate determination. [3marks]

**QUESTION FIVE [20 MARKS]**

- a) Individual countries take measures to control their imports in order to offset to some extent the disadvantages of international trade and to protect the home industry from competition. Discuss the restrictions used by individual countries in international trade. [10marks]
- b) Elaborate the determination of equilibrium exchange rate. [5marks]
- c) Discuss the factors of foreign direct investment. [5marks]