



(Knowledge for Development)

KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS

2022/2023 ACADEMIC YEAR

SECOND YEAR SECOND SEMESTER
MAIN EXAMINATION

FOR THE DIPLOMA IN BUSINESS MANAGEMENT

COURSE CODE:DBF 105

COURSE TITLE:INTERNATIONAL BANKING AND FINANCE

DATE:23RDDECEMBER,2022

TIME: 2.00PM - 4.00PM

INSTRUCTIONS TO CANDIDATES

1. Answer Question One in Section A and Any other TWO (2) Questions in Section B
2. Question **one** carries **30**marks and each of the other two questions carry **20** marks each.

TIME: 2 Hours

KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 6 Printed Pages. Please Turn Over.

SECTION A (COMPULSORY)

1. a) In relation to International Banking and Finance justify the relevance of the following terms:
 - i. Speculation (2mrks)
 - ii. Currency risk (2mrks)
 - iii. Indirect foreign investment (2mrks)
 - iv. Market integration (2mrks)
- b) Categorize and interpret the Five foreign exchange markets on the basis of nature of transactions using appropriate examples (10 marks)
- c) Argue for the need of bank regulations utilised (6marks)
- d) Evaluate THREE major roles played by Central Bank any Country (6marks)

SECTION B (CHOOSE ANY TWO QUESTIONS)

2. a) You are required to evaluate capital budgeting decision tools that are you used by investors in making investment decisions (6marks)
- b). Investors make investment decisions using various Capital budgeting tools. Formulate any of these tools and asses (8 marks)
- c) Financial market intergration is an important component in international Banking and Finance. Justify (6 marks)
3. a) Describe the main features and benefits of International Banking and finance (8marks)
- b) Distinguish the following terms that are used in international banking
 - i. political risk and country risk (3mrks)
 - ii. Forward transaction and future transaction (3mrks)
- c) Explain THREE reasons why investors diversify business (6marks)
4. Evaluate FOUR benefits of foreign direct investment (8marks)
- b) Describe the disadvantages of payback period compared with other capital budgeting strategies? (4marks)
- c) Evaluate the following terminology used in letters of credit
 - i. Freight forwarder (2mrks)
 - ii. Advising bank (2mrks)
 - iii. Legal counsel (2mrks)
 - iv. Confirming bank (2mrks)

5. a) Briefly explain the meaning of the following terms that are used in international banking and finance
- v. Interbank market (2mrks)
 - vi. Retail market (2mrks)
 - vii. Foreign Exchange Market (2mrks)
 - viii. Direct foreign investment (2mrks)
- b) There are generally three types of markets to choose from when thinking about international diversification. Describe three types of market diversification (6marks)
- c) All investing comes with certain amounts of investment risk. State and explain how these risks affect foreign investors in the foreign market. (6marks)