

PART A : SHORT ESSAY QUESTIONS (25 MARKS)

INSTRUCTION(S) : Answer all **THREE (3)** questions. Answers are to be written in the Answer Booklet(s) provided.

Question 1

The foreign exchange market provides the physical and institutional structure through which three typical functions are accomplished. List and explain the **THREE (3)** typical functions of the foreign exchange market.

(9 marks)

Question 2

The decision to invest abroad is often a stage in the firm's development process. Explain the behavioural approach to Foreign Direct Investment (FDI).

(8 marks)

Question 3

Distinguish **FOUR (4)** differences between long-term and short-term foreign exchange forecasting.

(8 marks)

End of Part A

PART B : STRUCTURED-TYPE QUESTIONS (75 MARKS)
INSTRUCTION(S) : Answer all FOUR (4) questions. Write your answers in the Answer Booklet(s) provided.

Question 1

Business involves the interaction of individuals and individual organizations for the exchange of products, services, and capital through markets. The global financial markets are critical for the conduct of this exchange. Explain **THREE (3)** dimensions which characterize the global financial marketplace.

(15 marks)

Question 2

Foreign Exchange Exposure associates with the risks faced by companies when performing financial transactions in foreign currencies. Discuss the **THREE (3)** types of foreign exchange exposures related to these transactions.

(15 marks)

Question 3

Indicate whether agree or disagree and then justify your answer to the following statements:

(i) "A nation's currency will depreciate if its inflation rate is less than that of its trading partners."

(5 marks)

(ii) "A nation whose interest rate falls more rapidly than that of other nations can expect the exchange value of its currency to depreciate."

(5 marks)

(iii) "A nation that experiences higher growth rate in productivity than its trading partners can expect the exchange value of its currency to appreciate."

(5 marks)

(Total: 15 marks)

Question 4

(a) International economic analysis characterizes the balance of trade adjustment process as occurring in different stages. List and explain the **THREE (3)** stages.

(15 marks)

(b) The theme dominating global financial markets today is the complexity of risks associated with financial globalization. Describe **FIVE (5)** forms of the complexity of risks affecting the leading and managing of multinational firms in the rapidly moving marketplace.

(15 marks)

(Total: 30 marks)

END OF EXAM PAPER