



FACULTY OF BUSINESS

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) : _____

Course Code & Name : **FIN2183 Multinational Finance**
Semester & Year : January – April 2024
Lecturer/Examiner : Wan Ahmad Asrar Nik @ Wan Yahya
Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of 2 parts:
PART A (60 marks) : **FOUR (4) short answer questions. Answers are to be written in the Answer Booklet provided.**
PART B (40 marks) : **TWO (2) structured-type questions. Answers are to be written in the Answer Booklet provided.**
2. Candidates are not allowed to bring any unauthorized materials except writing equipment into the Examination Hall. Electronic dictionaries are strictly prohibited.
3. This question paper must be submitted along with all used and/or unused rough papers and/or graph paper (if any). Candidates are NOT allowed to take any examination materials out of the examination hall.
4. Only ballpoint pens are allowed to be used in answering the questions, with the exception of multiple-choice questions, where 2B pencils are to be used.

WARNING: The University Examination Board (UEB) of BERJAYA University College regards cheating as a most serious offence and will not hesitate to mete out the appropriate punitive actions according to the severity of the offence committed, and in accordance with the clauses stipulated in the Students’ Handbook, up to and including expulsion from BERJAYA University College.

PART A
INSTRUCTION (S)

: SHORT ANSWER QUESTIONS (60 MARKS)

: Answer **ALL FOUR (4)** short answer questions.

Write your answers in the Answer Booklet (s) provided.

Question 1

By expanding to many countries, the multinational corporation (MNC) can access cheaper economic resources such as labour and capital.

- a. Define multinational corporation (MNC). (2 marks)
- b. List **FIVE (5)** needs of foreign expansion of a corporation. (5 marks)
- c. Describe **FOUR (4)** segments of the international financial market. (8 marks)

[Total: 15 marks]

Question 2

Exchange rate, investment, and capital are among the most important factors to consider before going international. Discuss the terms:

- a. Foreign exchange risk. (5 marks)
- b. Foreign investment. (5 marks)
- c. Multinational working capital. (5 marks)

[Total: 15 marks]

Question 3

Multinational corporations (MNCs) need to understand the international monetary system since they are going to perform business transactions using multiple currencies.

- a. Define forward rate. (2 marks)
- b. Describe **THREE (3)** alternative exchange rate systems. (6 marks)
- c. Explain the Bretton Woods System. (5 marks)
- d. Provide **TWO (2)** relevant examples of currency crises. (2 marks)

[Total: 15 marks]

Question 4

As an exporter you have control of the goods until you receive payment from the importer.

- a. Describe **TWO (2)** financing techniques in international trade. (4 marks)
- b. Explain the following:
 - i. Bill of lading. (5 marks)
 - ii. SWIFT. (5 marks)
- c. Provide **ONE (1)** relevant example of government sources of export financing. (1 mark)

[Total: 15 marks]

END OF PART A

PART B**INSTRUCTION (S)**: **STRUCTURED-TYPE QUESTIONS (40 MARKS)**: Answer all **TWO (2)** structured-typed questions.

Write your answers in the Answer Booklet (s) provided.

Question 1

- a. BUC Bank has provided the following quotations for the USD, the JPY and the THB:

	Quoted Bid Price	Quoted Ask Price
Value of JPY in USD	USD 0.0085	USD 0.0086
Value of THB in JPY	JPY 2.69	JPY 2.70
Value of THB in USD	USD 0.0224	USD 0.0227

Determine the profit you could generate by withdrawing USD 100,000.00 from your bank account and engaging in triangular arbitrage by converting it to THB, then to JPY and back to USD.

(10 marks)

- b. The one-year interest rate in New Zealand is 6 percent. The one-year U.S. interest rate is 10 percent. The spot rate of the NZD is USD 0.50. The forward rate of the NZD is USD 0.54. Assume that the initial investment is USD 1,000,000.00 and NZD 1,000,000 respectively. Determine:
- i. The yield from covered interest arbitrage by U.S. investors. (5 marks)
- ii. The yield from covered interest arbitrage by New Zealand investors. (5 marks)

[Total: 20 marks]

Question 2

- a. In order to encourage foreign direct investment (FDI), governments provide incentives to multinational corporations (MNCs) to set up industries in their host countries. In relation to the statement, examine **FOUR (4)** areas of conflicts that could arise between the MNC and the host government. (12 marks)
- b. Assess **TWO (2)** forms of political risk that could impede the performance of an MNC's local subsidiary. (8 marks)

[Total: 20 marks]

END OF EXAM PAPER