



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 : May – August 2023
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 having operations in different countries, the multinational corporation (MNC) can access funds to lower its overall cost of capital.

- a. Define multinational financial management. (2 marks)
- b. Explain the process of foreign expansion sequence of an MNC. (5 marks)
- c. Describe **FOUR (4)** specific areas of multinational finance. (8 marks)

[Total: 15 marks]

Question 2

Arbitrage, market efficiency and capital are the concepts used to explain the theory of international corporate finance. Explain the terms:

- a. Arbitrage (5 marks)
- b. Market efficiency (5 marks)
- c. Capital asset pricing (5 marks)

[Total: 15 marks]

Question 3

Multinational corporation (MNC) managers need to understand what the international monetary system is and how the choice of system affects currency values in the area of multinational finance.

- a. Define spot rate. (2 marks)
- b. Describe **THREE (3)** factors that influence currencies exchange rate. (6 marks)
- c. Explain the evolution of international monetary system. (5 marks)
- d. Provide **TWO (2)** examples of European currencies with the acronyms. (2 marks)

[Total: 15 marks]

Question 4

International trade transactions carry more risks than domestic transactions due to differences in culture, politics, legislation, and currency.

- a. Describe **TWO (2)** types of international trade documents that need to be produced while making transactions. (4 marks)
- b. Explain the following:
 - i. Payments Netting (5 marks)
 - ii. Capital flight (5 marks)
- c. Provide **ONE (1)** example of countertrade transaction between two countries. (1 mark)

[Total: 15 marks]

END OF PART A

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

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

Question 1

- a. Country A uses a system of fixed exchange rates, its current account deficit is CAD 6 billion, and its capital account balance is CAD 4 billion. Based on this information, answer the following questions:
- Determine the change in the official foreign exchange reserves of Country A. (3 marks)
 - Determine the gap between the income of Country A and its expenditure on domestic output. (3 marks)
 - Estimate the current account balance of Country A if there is only one other country in the world. (1 mark)
- b. A company in the US purchases machinery from a Canadian company for USD 150 and receives one-year trade credit. The machinery is transported to the US by a Canadian trucking company that charges the US company USD 10. The US company insures the shipment with a US insurance company and pays a premium of USD 3. After delivering the machinery to the US, the Canadian truck continues its trip to a US city, where it picks up microcomputers sold by a US company to a Mexican company. This shipment, which is worth USD 170, is insured by a US insurance company for a premium of USD 4. No trade credit is given to the Mexican company. Calculate the balance of payment (BOP) for the US and assume that Canadian and Mexican companies maintain dollar deposits in the US. (10 marks)
- c. You have been hired by the International Monetary Fund (IMF) to design a program to improve the current account balance. Determine how your program should influence the following variables:
- Taxes (1 mark)
 - Government spending (1 mark)
 - Private savings (1 mark)

[Total: 20 marks]**Question 2**

- a. Assume that the spot rates against the GBP are as follows:

Country	Code	Midpoint	Change	Spread
Czech Rep	CZJ	42.7945	+0.1868	616–273
Denmark	DKK	11.30929	+0.0289	065–119
Euro	EUR	1.5172	+0.0039	168–175
Norway	NOK	12.3321	+0.0394	263–379
Russia	RUB	52.1528	– 0.0368	376–679
Switzerland	CHF	2.4531	+0.0040	522–540
Turkey	YTL	2.7656	–0.0050	614–698

Determine the bid-ask quotes for:

- i. CZJ/GBP (2 marks)
 - ii. DKK/GBP (2 marks)
 - iii. EUR/GBP (2 marks)
 - iv. NOK/GBP (2 marks)
- b. Illustrate, with the aid of a diagram, how a letter of credit (LC) works in international trade payment. (12 marks)

[Total: 20 marks]

END OF EXAM PAPER