



BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) :

Course Code & Name : **FIN2183 Multinational Finance**
 Trimester & Year : September – December 2018
 Lecturer/Examiner : Leow Hon Wei
 Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

- This question paper consists of 2 parts:
 - PART A (25 marks) : Answer all THREE (3) short answer questions. Answers are to be written in the Answer Booklet provided.**
 - PART B (75 marks) : Answer all FOUR (4) structured answer questions. Answers are to be written in the Answer Booklet provided.**
- Candidates are not allowed to bring any unauthorized materials except writing equipment into the Examination Hall. Electronic dictionaries are strictly prohibited.
- 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.
- 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.

Total Number of pages = 3 (Including the cover page)

Question 1

Provide **THREE (3)** causes for the instability of International Monetary System (IMS).

(6 marks)

[Total: 6 marks]

Question 2

Define the Law of One Price and Purchasing Power Parity that have traditionally been used by economists to help explain the long run trend in an exchange rate.

(10 marks)

[Total: 10 marks]

Question 3

Foreign exchange exposure is a measure of the potential for a firm's profitability, net cash flow, and market value to change because of a change in exchange rates. Define the **THREE (3)** types of foreign exchange exposure.

(9 marks)

[Total: 9 marks]

[Total: 25 marks]

Question 1

Strategic motives drive the decision to invest abroad and become multinational. Provide **FIVE (5)** and explain each of the motives. (15 marks)

[Total = 15 marks]

Question 2

The governments and central banks can alter the value of currency by using capital control. Discuss the capital control conducted by governments and central banks. (15 marks)

(15 marks)

[Total = 15 marks]

Question 3

The foreign exchange market is the mechanism by which participants transfer purchasing power between countries by exchanging money. Explain **THREE (3)** reasons why foreign exchange market is important. (15 marks)

(15 marks)

[Total = 15 marks]

Question 4

(a) A country's import and export of goods and services is affected by changes in exchange rates. Explain how the devaluation of currency affect the import and export. (15 marks)

(15 marks)

(b) Provide **FOUR (4)** determinants of the U.S. dollar's exchange rate in the long term and indicate the changes on the effect in the exchange rate. (15 marks)

(15 marks)

[Total: 30 marks]

[Total = 75 marks]