

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 : September – December 2021
Lecturer/Examiner : Associate Professor Dr. Akram Al-Khaled
Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of 2 parts:
PART A (25 marks) : Answer all THREE (3) short essay questions. Answers are to be written in the Answer Booklet(s) provided.
PART B (75 marks) : Answer all FOUR (4) structured-type questions. Answers are to be written in the Answer Booklet(s) provided.
2. Candidates are not allowed to bring any unauthorised 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 : 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 measurement of all international economic transactions that take place between the residents of a country and foreign residents is called the balance of payments (BOP). Explain **THREE (3)** reasons why host-country BOP data is important to managers and investors.

(6 marks)

Question 2

Discuss the key role of the international monetary system (IMS) in promoting international trade and investment.

(9 marks)

Question 3

A currency peg is a governmental policy of fixing the exchange rate of its currency to that of another currency, or occasionally to the gold price. Interpret how developing countries typically manage to keep currencies pegged at values that are too high.

(10 marks)

End of Part A

PART B
INSTRUCTION(S)

: STRUCTURED-TYPE QUESTIONS (75 MARKS)

: Answer all **FOUR (4)** questions. Write your answers in the Answer Booklet(s) provided.

Question 1

A British firm has a subsidiary in the United States. Similarly, the United States firm, known to the British firm, also has a subsidiary in Britain. Interpret and then provide a relevant example for each of the following management techniques for reducing the firm's operating cash flows. The following are techniques to consider:

(i) Matching currency cash flows. (5 marks)

(ii) Risk-sharing agreements. (5 marks)

(iii) Back-to-back or parallel loans. (5 marks)

(Total: 15 marks)

Question 2

Exchange rates play a crucial role in a country's level of trade as well as helping in providing economic stability, which is critical to most every free market economy in the world. For this reason, exchange rates are among the most watched, analyzed and governmentally manipulated economic measures. Examine **FIVE (5)** major factors that influence foreign exchange rates.

(15 marks)

Question 3

Countertrade is a system of international trading that helps governments reduce imbalances in trade between them and other countries. Explain **FIVE (5)** forms of countertrade.

(15 marks)

Question 4

- (a) Accountability for managing foreign exchange risk is becoming increasingly more difficult in our diverse global economy. As a financial manager must not only be aware of this risk, but proactively implement strategies to ensure that they do not experience foreign exchange risk exposure. As a financial manager, propose **THREE (3)** tools for hedging foreign exchange risk.

(15 marks)

- (b) Foreign direct investment (FDI) is an integral part of an open and effective international economic system and a major catalyst to development. Yet, the benefits of FDI do not accrue automatically and evenly across countries, sectors and local communities. Describe **THREE (3)** operating strategies after the FDI decision which are anticipated to reduce damages from political risk.

(15 marks)

(Total: 30 marks)

END OF EXAM PAPER