



ICM

SEPTEMBER 2015

FINANCE OF INTERNATIONAL TRADE

Instructions to candidates:

- a) Time allowed: Three hours (plus an extra ten minutes' reading time at the start – do not write anything during this time)
 - b) Answer any FIVE questions
 - c) All questions carry equal marks. Marks for each question are shown in []
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- 1. In the context of international trade:
 - a) Distinguish between domestic trade and international trade. [10]
 - b) Discuss the advantages of international trade. [10]
 - 2. Discuss the case for and against import controls. [20]
 - 3.
 - a) Define **countertrade** and what forms it may take. [12]
 - b) Discuss the problems that may arise in countertrade. [8]
 - 4. Multinationals must accept the normal risks of business but also face additional risks. State and explain FOUR of these additional risks. [20]
 - 5.
 - a) Explain briefly what credit risks are, in the context of foreign trade. [4]
 - b) Discuss FOUR methods of reducing the risk of bad debts in foreign trade. [16]
 - 6. There are several methods by which businesses can become multinationals. Explain FOUR such methods. [20]
 - 7.
 - a) Define **corporate social responsibility** (CSR) and explain TWO ways by which CSR can be taken. [11]
 - b) Discuss THREE CSR/ethical issues that create conflicts between multinationals and governments. [9]
 - 8.
 - a) A parent or holding company may need to finance a foreign subsidiary. Discuss briefly FOUR of the problems that may arise from this. [8]
 - b) Describe the THREE foreign currency risks that are faced by such foreign operations. [12]