



# ICM

DECEMBER 2016

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. Franchising is a form of strategy that firms use for international expansion.
    - a) Explain the term **franchising**. [6]
    - b) Discuss the advantages and challenges for firms in adopting this strategy. [14]
  2. Discuss FIVE different types of restrictions or barriers of international trade that are commonly used by various governments/countries. [20]
  3. Institutions such as the World Trade Organisation (WTO) help to regulate most international business transactions. Critically evaluate the role of the World Trade Organisation in this respect. [20]
  4.
    - a) Explain the term **globalisation**. [5]
    - b) Identify and discuss THREE factors responsible for the expansion of markets and production. [15]
  5. Identify and explain FOUR forms of countertrade. [20]
  6.
    - a) Discuss TWO characteristics associated with emerging economies in the context of foreign investors. [8]
    - b) Discuss FOUR advantages of how inward Foreign Direct Investments (FDI) may help emerging economies and their domestic industries. [12]
  7. State and discuss any FOUR methods of reducing bad debts in foreign trade. [20]
  8. Write concise notes on the following in the context of foreign exchange:
    - a) Transaction risk
    - b) Economic risk
    - c) Forward market hedge
    - d) Multilateral netting [5 each]