



ICM

DECEMBER 2016

INTERNATIONAL TRADE & PAYMENTS I

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. Explain what **spot** and **forward exchange rates** are and assess how they assist an international trading company. [20]
 2. Direct investment in an overseas market can bring many benefits to an organisation. There are, however, risks associated with this type of investment. Analyse the advantages and disadvantages of direct investment in an overseas market. [20]
 3. Critically evaluate the contribution of commodity markets to the system of global trading. [20]
 4. Review the main types of documentary credit that an exporter will utilise. [20]
 5. Analyse the phases in the life cycle of a bill of exchange. [20]
 6. Invisibles often form a key part of the balance of payments account of a country. Explain the main categories of invisibles typically seen in a balance of payments account. [20]
 7. Explain how **export houses** and **buying houses** support the system of international trading. [20]
 8. Review in detail the roles of the parties to a documentary credit. [20]