MARCH 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 [ ]

1. A company has been importing and exporting goods both in cash and on credit terms.
   a) Identify and explain its exposure to foreign exchange rate risk. [6]
   b) Explain how this exposure can be eliminated by the two external hedging techniques – forward contracts and money market contracts. [14]

2. Discuss the process of international trade, highlighting its advantages and disadvantages. [20]

3. Countertrade can take various forms. Explain any FOUR of these forms. [20]

4. a) Briefly discuss the term **globalisation**. [6]
   b) State SEVEN advantages of globalisation. [14]

5. Setting up foreign operations range from high risk through to low risk operations. Explain any FOUR such methods of foreign operations. [20]

6. a) Factoring in international trade is on the increase. Explain its function and discuss its main advantages. [12]
   b) Discuss the method of international trade finance referred to as forfaiting. [8]

7. Write concise notes on the following in the context of international trade:
   a) Tariffs
   b) Quotas
   c) Exchange controls
   d) Invisible tariffs [5 each]

8. The euro currency has produced real change to the business environment throughout Europe. Discuss FIVE benefits arising from its introduction. [20]