

MAASAI MARA UNIVERSITY

**REGULAR UNIVERSITY EXAMINATIONS**

**2016/2017 ACADEMIC YEAR**

**FOURTH YEAR SECOND SEMESTER**

**SCHOOL OF BUSINESS & ECONOMICS**

**BACHELOR OF SCIENCE IN AGRICULTURAL ECONOMICS & RESOURCE ECONOMICS**

**COURSE CODE: ARE 423**

**COURSE TITLE:** **INTERNATIONAL FINANCIAL                                   SYSTEMS**

**DATE: 17TH MAY 2017 TIME: 11.00AM – 1.00PM**

**INSTRUCTIONS TO CANDIDATES**

Answer Question **ONE** and any other **THREE** questions

*This paper consists of 2 printed pages. Please turn over.*

**QUESTION ONE**

1. Write short notes on the following;
   1. Spot exchange rate vs forward rate **(2mks)**
   2. Soft vs hard currency **(2mks)**
   3. Arbitrage (**2mks)**
   4. Capital account (**2mks)**
   5. Euro-Bond Market (**3mks)**

b) On 31/3/2016 the US$ is quoted against the KES at, KES 102/$ and the South African Rand is quoted at KES 8/ZAR. A 120 day forward rate for the USD is quoted as KES 98/$, while a 150 day forward rate for the ZAR is quoted at KES5.50/ZAR. Calculate the Forward Premium for the Exchange. **(6mks)**

c) Explain the principal functions of the IBRD as set forth in Article 1 of theagreement. (**4mks)**

d) Discuss the convergence criteria for the European Monetary Union. (**4mks)**

**QUESTION TWO**

1. Discuss the IMF’s exchange rate regime classifications. (**8mks)**
2. Discuss the causes of Balance of Payments Disequilibrium in an economy.     **(7mks)**

**QUESTION THREE**

1. ‘There are different types of finance available in euro currency market’. Explain. (**9 mks)**
2. Discuss the advantages of fixed exchange rates over flexible exchange rates to a country. (**6mks)**

**QUESTION FOUR**

1. Explain the roles of the IMF as spelled in the Articles of Agreement. (**6 mks)**
2. What are the recent changes in global financial markets? (**9mks)**

**QUESTION FIVE**

1. Discuss the historical development of the International Financial Systems. (**10 mks)**
2. ‘The fast growth of the Eurodollar market during 1965-1980 periods may be attributed to four major factors’ Discuss. (**5 mks)**

**//END**