



MASENO UNIVERSITY

UNIVERSITY EXAMINATIONS 2016/2017

**FOURTH YEAR FIRST SEMESTER EXAMINATIONS FOR THE
DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION AND
BACHELOR OF ARTS IN ECONOMICS WITH INFORMATION
TECHNOLOGY**

CITY CAMPUS – EVENING

ABA 422: INTERNATIONAL TRADE AND FINANCE

Date: 25th November, 2016

Time: 5.30 - 8.30 pm

INSTRUCTIONS:

- Answer question ONE and any other TWO questions.



Q1. a) Explain the concept of international trade and pertinent reason for Kenya's involvement in it. [5 Marks]

b) Jaguar Investments are new entrants in the export market for cashew nuts. Describe to the manager how tariffs are likely to affect their trade volumes in the international markets. [8 Marks]

c) Discuss the role of GATT in international trade and its subsequent weakness that led to formation of WTO. [10 Marks]

d) Differentiate between the benign and malign models of multinational companies' integration in developing world economies. [7 Marks]

Q2. Differentiate between the Ricardian model and pure exchange model in international trade perspective. [20 Marks]

Q3. a) Foreign exchange play a pivotal role in enabling international trade. Distinguish between determination of free market exchange and fixed exchange regimes. [10 Marks]

b) Discuss the arguments for the application of fixed and flexible exchange rate. [10 Marks]

Q4. Balance of payments can be adjusted through three policy measures derived from Mundell-Fleming. Describe critically how each of the following can lead to adjustment of BOP.

i) Expenditure changing policies [8 Marks]

ii) Expenditure switching policies [8 Marks]

iii) Monetary approach [4 Marks]

Q5. COMESA and EAC are regional integrations in Eastern and Southern Africa which are facilitating free trade policies reducing tariff barriers

across 20 countries. Compare the key trade protocols that guide international trade on goods, capital and labour in the two regional trade areas.

[20 Marks]