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ECO 313



*(University of Choice)*

**MASINDE MULIRO UNIVERSITY OF  
SCIENCE AND TECHNOLOGY  
(MMUST)**

**MMUST EXAMINATION**

**UNIVERSITY EXAMINATIONS  
2023/2024 ACADEMIC YEAR**

**THIRD YEAR SECOND SEMESTER EXAMINATIONS  
FOR BACHELOR OF SCIENCE ECONOMICS, BACHELOR  
OF SCIENCE ECONOMICS AND STATISTICS AND  
BACHELOR OF MATHEMATICS AND ECONOMICS**

**COURSE CODE: ECO 313**

**COURSE TITLE: INTERNATIONAL ECONOMICS II**

**DATE: MONDAY, 18-12-2023**

**TIME: 12:00-14:00**

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**INSTRUCTIONS TO CANDIDATES**

**ATTEMPT QUESTION ONE and ANY OTHER TWO QUESTIONS**

**TIME: 2 Hours**

**MMUST observes ZERO tolerance to examination cheating**

*This Paper Consists of 4 Printed Pages. Please Turn Over.*

**QUESTION ONE**

- i) Explain briefly export procedure (6 marks)
- ii) Discuss long term policies to cure balance of payments deficits (5 marks)
- iii) Discuss three players in the foreign exchange market (9 marks)
- iv) State the difference forms of foreign direct investment (5 marks)
- v) Explain four reasons why a company may go international (5 marks)

**QUESTION TWO**

"Excessive monetary growth leads to balance of payments problems under fixed exchange rates, and a currency problem under floating exchange rates." Discuss this statement with reference to the monetary approach to the balance of payments. (20 marks)

**QUESTION THREE**

Explain the use and importance of the following documents in international trade.

- a) Bill of exchange
- b) Certificate of origin
- c) Letter of credit
- d) Foreign exchange allocation license

(20 marks @5marks each)

**QUESTION FOUR**

- a) State the functions of the United Nations Conference on trade and tariff (5marks)
- b) Discuss the various sections of the balance of payments. (10marks)
- c) How would you correct disequilibrium in the capital account? (5marks)

**QUESTION FIVE**

- a) Discuss three factors that led to Africa's international debt problem (15 marks)
- b) Suppose Central bank of Kenya is committed to holding the value of its currency, Ksh at 1.00 per \$ 2per Ksh. Suppose further that holders of the Ksh fear that its value is about to fall and begin selling Ksh to purchase U.S dollars.
  - i) What will happen in the market for Ksh? Explain your answer carefully, and illustrate it using a demand and supply graph for the market for Ksh. (2marks)
  - ii) What actions will the nation's Central Bank take? Use graph to show the results of central banks actions? (1marks)
  - iii) Why might this action fuel concern among holders of Ksh about future prospects?