



(University of Choice)

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

MMUST EXAMINATION

**UNIVERSITY EXAMINATIONS
2022/2023 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: FRIDAY 14TH APRIL 2023

TIME: 12:00-14:00

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? (1 marks)
 - iv) What difficulties will this create for the nation's central bank? (1marks)