



DIPLOMA UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DIPLOMA IN INTERNATIONAL RELATIONS AND

DIPLOMACY

DIR 107: INTERNATIONAL FINANCE

DATE: 8TH APRIL 2026

DURATION: 2 HOURS

MAXIMUM MARKS:

70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **FOUR** questions.
6. Question **ONE** carries **30 MARKS** and the rest carry **10 MARKS** each.

7. Write all your answers in the Examination answer booklet provided.

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

Case Study: Global Expansion of SunRise Electronics Ltd.

SunRise Electronics Ltd., an Indian consumer electronics manufacturer, plans to expand its business internationally. The company has decided to:

- Import advanced microchips from South Korea, with payments to be made in US dollars.
- Set up a manufacturing plant in Vietnam through Foreign Direct Investment (FDI).
- Raise funds by issuing bonds in the international capital market.
- Hedge foreign exchange risk using currency futures contracts.
- Seek financial assistance from the World Bank for a renewable energy project at its overseas plant.

During the expansion process, SunRise faces several challenges:

- The Indian Rupee depreciates against the US Dollar, increasing import costs.
- Political instability in Vietnam raises concerns among investors.
- Changes in US interest rates affect global capital flows.
- Foreign investors show interest in purchasing SunRise's shares through portfolio investment.

The company's finance manager must understand the international financial environment, exchange rate risk, capital flows, and global financial markets to make sound decisions.

Required:

- a) Asses the term International Finance and Identify three international finance activities undertaken by SunRise Electronics.
(4 Marks)
- b) Explain how exchange rate fluctuations affect SunRise’s import payments.
(2 Marks)
- c) Identify the type of international financial flow involved in:
i. Setting up a plant in Vietnam **(1 Mark)**
ii. Foreign investors buying company shares
(1 Mark)
- d) Examine two components of the international financial environment that may affect SunRise’s expansion. **(2 Marks)**
- e) Explain how depreciation of the Indian Rupee impacts SunRise’s cost structure and profitability. **(5 Marks)**
- f) Discuss the difference between Foreign Direct Investment (FDI) and Portfolio Investment with reference to the case.
(5 Marks)
- g) Analyze the role of international financial markets in helping SunRise raise funds and manage risks. **(5 Marks)**
- h) Evaluate how global institutions like the World Bank and changes in US monetary policy influence SunRise’s international operations.
(5 Marks)

QUESTION TWO

- a) Global financial markets are highly interconnected. XYZ Corp is managing capital in multiple currencies. Analyze how financial globalization affects multinational companies’ capital management and risk strategies. **(5 Marks)**
- b) A small export SME wants to compete internationally. Discuss the advantages and disadvantages of financial globalization for SMEs.
(5 Marks)

QUESTION THREE

- a) DEF Inc plans to raise \$50 million to expand operations internationally. Which global financial markets could DEF Inc access, and what are the advantages of each?

(6 Marks)

- b) ABC Ltd exports laptops to Europe and expects €2 million payments in 3 months.

Suggest two strategies ABC Ltd could use to manage foreign exchange risk and explain why.

(4 Marks)

QUESTION FOUR

- a) GlobalTech Ltd experiences sudden capital outflows due to economic instability in a trading partner. Examine three common reasons behind Balance of Payments (BOP) imbalances.

(6 Marks)

- b) XYZ Ltd uses different international markets to finance operations. Evaluate two types of international financial markets and their primary functions. **(4 Marks)**

QUESTION FIVE

- a) Suppose the demand for US Dollars in your country is \$500 million and the supply is \$400 million. Will the domestic currency appreciate or depreciate? Explain.

(2 marks)

- b) Explain the features of modern world financial crises and how they affect exchange rates.

(8 marks)

QUESTION SIX

a) Explain any five financial challenges faced by Trans-national corporations (TNCs); in international financial management.

(5 marks)

b) Why is international trade financing needed? Assess any four reasons.

(5 marks)