

BINDURA UNIVERSITY OF SCIENCE EDUCATION
FACULTY OF COMMERCE
DEPARTMENT OF BANKING AND FINANCE
INTERNATIONAL BANKING (BS239)/ (BS442)
FINAL EXAMINATION
DURATION: THREE HOURS

NOV 2022

INSTRUCTIONS TO CANDIDATES

- a) Answer **question one** and **any three** questions.
- b) Start the answer to each question on a fresh page in the answer sheet provided.
- c) All calculations to be presented in good style and all workings should be shown.
- d) Questions may be written in any order, but must be numbered accurately and legibly.

QUESTION ONE

- a) 'Unlike their domestic counterparts, it has been argued that Eurobanks are characterised by efficiency and unique features'. Explain.
 - i. The reasons why Eurobanks are efficient (3)
 - ii. The unique features that are characteristics of Eurobanks (10)
 - b) 'Interest determination in the Eurocurrency market is closer to being a free market than the domestic money market.'
Explain how interest rates are determined in both markets. (3)
 - c) 'In order to start international banking operations, local banks employ a host of measures to enter foreign markets.' Using examples, explain strategies available to banks intending to go international. (9)
- [25 marks]**

QUESTION TWO

With reference to International Bank for Reconstruction and Development (IBRD) and International Monetary Fund (IMF), critically examine the effectiveness of international trade agencies in meeting their goals. **[25 marks]**

QUESTION THREE

Discuss what would happen to the standards of living in Zimbabwe if people lose faith in their financial institutions? [25 marks]

QUESTION FOUR

Consider a hypothetical company Budha Bangla Wireless (BBW). A company has been in the Telecommunication industry for 5 years now in its domestic market, Local land. Due to the shrinking market share and pressure to continually maximise shareholders wealth they have decided to open a subsidiary in neighbouring country, foreign land.' As a Senior Finance Officer (SFO), you have been tasked to conduct a thorough country risk analysis and help them determine whether it's worth opening a subsidiary in the foreign land. The following information has been provided:

Table 1

Factors	Weights %	Rating assigned to country risk by the company
Currency inconvertibility	40	2
Interest rate	20	5
Blockage of funds	30	4
Inflation	10	4
Exchange rate	20	4
Industry competition	10	5
Bureaucracy	20	3
Corruption	10	3
Industry growth	40	3

- The investigation has also ascertained that political risk and financial risks should be given weights of 60% and 40% respectively. Given that BBW will only accept projects with a rating of 4.2 and higher. What decision can be taken? (10)
- What could have been the possible motives behind BBW engaging in direct foreign investments (DFI)? (10)
- State and explain the strategies BBW could use to reduce exposure to the host government takeover. (5)

[25 Marks]

QUESTION FIVE

Make a clear reference to the product cycle theory and explain the steps that a local company of your choice has followed in going international. [25 marks]

QUESTION SIX

Consider a hypothetical futures contract in which the current price is \$212. The initial margin requirements is \$10 and the maintenance margin is \$8. You go 20 contracts long and meet all margin calls. But you did not withdraw any excess margin.

- a) When could there be a margin call? (3)
- b) Complete the table 2 below and explain any funds deposited. Assume that the contract is purchased at the settlement price of that day so that there is no mark-to-market profit or loss on the day of purchase. (20)

Table 2

Day	Begging balance	Funds deposited	Futures price	Price change	Gain/Loss	Ending balance
0			212			
1			211			
2			214			
3			209			
4			210			
5			204			
6			202			

- c) How much are your gains and losses by the end of day 6? (2)

[25 marks]

END OF EXAMINATION