

ESSAY (100 marks)

INSTRUCTION:

This section consists of **FIVE (5)** questions. Answer **FOUR (4)** questions only.

QUESTION 1

- i. Bretton Woods Agreement and Jamaica Agreement are two most important events in international monetary history. Explain about the agreements. (10 marks)
- ii. International Monetary Fund and World Bank are major world financial institutions focus on financial related issues around the world. List down and explain **FIVE (5)** differences between these institutions. (15 marks)

QUESTION 2

- a) Bill of exchange is a document of unconditional order which direct the recipient to pay sum amount of money to third party at a future date. Explain types of bill of exchange as follows:
 - i. Trade Bill
 - ii. Accommodation Bill
 - iii. Foreign Bill
 - iv. Inland Bill
 - v. Time Bill (15 marks)
- b) Exporter normally prefer buyer to provide Letter of Credit to minimize their risk upon delivery of goods. Discuss **FOUR (4)** advantages of this document for exporters? (10 marks)

POLITEKNIK
Jabatan Pengajian Politeknik

EXAMINATION AND EVALUATION DIVISION
DEPARTMENT OF POLYTECHNIC EDUCATION
(MINISTRY OF HIGHER EDUCATION)

COMMERCE DEPARTMENT

FINAL EXAMINATION
JUNE 2012 SESSION

P5505 : INTERNATIONAL FINANCE

DATE : 20 NOVEMBER 2012 (TUESDAY)
DURATION : 2 HOURS (8.30 AM – 10.30 AM)

This paper consists of **FOUR (4)** pages including the front page.

Essay (5 questions – answer 4 questions)

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BY THE CHIEF INVIGILATOR

QUESTION 5

- a) Foreign exchange risk is one of the issues faced by multinational corporations. It can be divided into three main categories; transaction exposure, translation exposure and economic exposure. Explain on these foreign exchange exposures. (9 marks)
- b) Table below shows the exchange rate from the Interbank Foreign Exchange Market in Kuala Lumpur on Tuesday at 31st July 2012.

Foreign Currencies Unit	Code	Buying Price	Selling Price
		[Malaysia Ringgit]	
1 Australian Dollar	AUD	3.2886	3.2927
1 Brunei Dollar	BND	2.5135	2.5165
1 Canadian Dollar	CAD	3.1240	3.1276
1 EURO	EUR	3.8349	3.8398
1 Swiss Franc	CHF	3.1935	3.1969
1 UK Pound	GBP	4.9078	4.9132
1 U.S. Dollar	USD	3.1290	3.1320

Based on above information, calculate (using the Selling Price):

- How much EUR in exchange to buy RM1? (2 marks)
- How much USD in exchange to buy RM1? (2 marks)
- Cross-exchange rate between GBP and EUR? (5 marks)
- Assume Malaysian ringgit has depreciated 10%, what is the new cross-exchange rate between GBP and EUR if other currencies remain constant? (7 marks)

QUESTION 3

There are few methods of payment available to choose by importers to make an overseas payment. Elaborate the methods of payment as follows:-

- Mail Transfer (5 marks)
- Telegraphic Transfer (5 marks)
- SWIFT (5 marks)
- Nostro and Vostro Account (10 marks)

QUESTION 4

- a) Define and give TWO (2) features of an overdraft which favourable in financial market?

(5 marks)

- b) Letter Of Credit (LOC) is often used in international transactions to ensure payment will be received by exporters on time. Explain types of LOC as follows:

- Irrevocable LOC
- Revocable LOC
- Revolving LOC
- Standby LOC (20 marks)