

**POLITEKNIK**  
Jabatan Pengajian Politeknik

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

COMMERCE DEPARTMENT

FINAL EXAMINATION  
DECEMBER 2011 SESSION

**P5505 : INTERNATIONAL FINANCE**

**DATE : 25.04.2012**  
**DURATION : 2 HOURS (08:30AM – 10:30 AM)**

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This paper consists of **FIVE (5)** pages including the front page.  
Section A: Essay (5 questions – answer 4)

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**CONFIDENTIAL UNTIL 25.04.2012**  
**DO NOT OPEN THIS QUESTION PAPER UNTIL INSTRUCTED BY THE**  
**CHIEF INVIGILATOR**

**SECTION A**

**ESSAY (100 marks)**

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

**QUESTION 1**

(a) Briefly explain on the international unions as below:-

- (a) General Agreement on Tariffs and Trade (GATT)
- (b) World Trade Organization (WTO)
- (c) European Union (EU)
- (d) North American Free Trade Agreement (NAFTA)

(20 marks)

(b) One of the major factor intervene international business and finance is political risk. Explain how political risk becomes so crucial and make an impact on that matter?

(5 marks)

**QUESTION 2**

- (a) Table below shows the exchange rate of U.S Dollar as compared to Pound Sterling and Euro currency in New York trading floor on January 4, 2011.

Country/Currency	In US\$	per US\$
Euro	1.4744	0.6783
UK Pound	1.9717	0.5072
Malaysia Ringgit	0.3046	3.1500

Based on above information, compute:-

- i. Cross-exchange rate between Euro and UK Pound.
- ii. How much Euro in exchange to buy 1 UK Pound?
- iii. Cross-exchange rate between UK Pound and Malaysia Ringgit.
- iv. How much RM in exchange to buy 1 UK Pound?

(16 marks)

- (b) How to differentiate between spot contract and futures contract in foreign exchange market. Give **THREE (3)** differences between them.

(9 marks)

**QUESTION 3**

- (a) The map below shows the members of European Union. Discuss **FOUR (4)** provisions that must be complied by the union members.

(25 marks)



## QUESTION 4

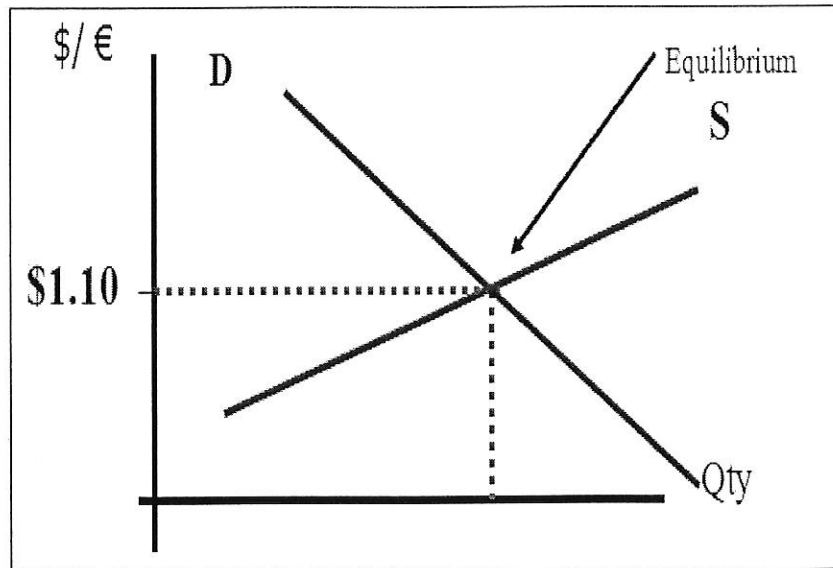


Figure 1: The Equilibrium Rate between \$/€

Figure 1 shows a snapshot of the equilibrium between US Dollar and UK Pound which is £1 equal to \$1.10. Normally the exchange rate between two currencies will fluctuate from time to time. Determine **FIVE (5)** factors that can affect the exchange rate between two currencies?

(25 marks)

## QUESTION 5

Describe the payment methods used in multinational corporations as follows:

(a) Mail Transfer and Telegraphic Transfer.

(8 marks)

(b) SWIFT Inter-Bank Transfer.

(8 marks)

(c) Nostro and Vostro account.

(9 marks)