ALUPE UNIVERSITY COLLEGE

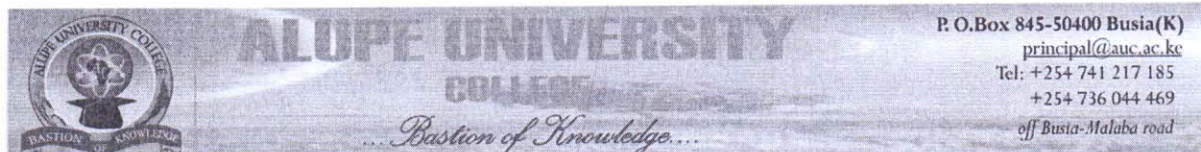*...Bastion of Knowledge....*

OFFICE OF THE DEPUTY PRINCIPAL

ACADEMICS, STUDENT AFFAIRS AND RESEARCH

UNIVERSITY EXAMINATIONS

2021 /2022 ACADEMIC YEAR

FOURTH YEAR SECOND SEMESTER REGULAR EXAMINATION

FOR THE DEGREE OF BACHELOR OF ECONOMICS

COURSE CODE: ECO 424

COURSE TITLE: INTERNATIONAL ECONOMICS II

DATE: 02/06/2022   **TIME: 9am-12pm**

INSTRUCTION TO CANDIDATES

- **SEE INSIDE**

THIS PAPER CONSISTS OF 3 PRINTED PAGES   **PLEASE TURN OVER**

REGULAR – MAIN EXAM

ECO 424: INTERNATIONAL ECONOMICS II

STREAM: BA ECONOMICS   **DURATION: 3 Hours**

INSTRUCTIONS TO CANDIDATES

i.   *Answer Question **ONE** and any other **TWO** questions.*

ii.   *Maps and diagrams should be used whenever they serve to illustrate the answer.*

iii. *Do not write on the question paper.*

Question one (30 marks)

i. Distinguish the following terms

    Nominal vs real prices (4 marks)

    Arbitrage vs hedging (4 marks)

ii. Explain arguments against a fixed exchange regime   (10 marks)

iii. Highlight various forms of used that have been used.   (4 marks)

iv. . Recently Kenyans petitioned the International Monetary Fund (IMF) to deny Kenya its request for loans. Clearly explain some of the criticisms leveled against this institution.. (10 marks)

Question two

Using relevant figures explain the Flexible exchange rate regimes   (10 marks)

Explain the theorem of purchasing power parity (PPP)   (10 marks)

Question three

i. Explain the main guidelines used to establish a customs union   (10 marks)

ii Explain how the futures (commodities) market for foreign exchange   (10 marks)

Question four

i. Residents of any country demand foreign currency in the foreign exchange markets. Clearly explain any four reasons   (10 marks)

ii. Explain the stages of modern economic integration   (10 marks)

Question five

i. Identify and explain five participants of foreign exchange market   (10 marks)

ii. Explain five functions of world trade organization   (10 marks)