



MAASAI MARA UNIVERSITY

**REGULAR UNIVERSITY EXAMINATIONS
2020/2021 ACADEMIC YEAR
THIRD YEAR SECOND SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS
BACHELOR OF SCIENCE IN ECONOMICS,
ECONOMICS AND STATISTICS, FINANCIAL
ECONOMICS**

COURSE CODE: ECO 3204

COURSE TITLE: INTERNATIONAL ECONOMICS II

DATE: 4TH OCTOBER, 2021

TIME: 1100 – 1300HRS

INSTRUCTIONS TO CANDIDATES

Answer question **ONE** and any other **THREE** questions

This paper consists of 2 printed pages. Please turn over

QUESTION ONE

- (a) Discuss the history of money (8marks)
- (b) Discuss how the law of one price is used to explain the concept of purchasing power parity (7marks)
- (c) "If the quantity of money in circulation is increased without a comparable increase in the supply of goods, prices tend to react upwards." Discuss (10marks)

QUESTION TWO

- (a) Using illustrations, explain the difference between real and nominal prices (5marks)
- (b) Explain how individuals, banks and foreign exchange brokers participate in the Foreign Exchange Market (10marks)

QUESTION THREE

- (a) Explain the functions of Foreign Exchange Market (7marks)
- (b) Explain the following terms
- i. Covered interest arbitrage; (4marks)
 - ii. Uncovered interest arbitrage. (4marks)

QUESTION FOUR

- (a) Discuss the factors which influence demand for foreign exchange (8marks)
- (b) Explain why you would advise your government to go for Flexible Exchange Rate Regime (7marks)

QUESTION FIVE

- (a) Discuss how Corona pandemic has affected balance of payment in your country (8marks)
- (b) What role does the knowledge of International Economics play in the world today? (7marks)

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