

**NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY  
FACULTY OF COMMERCE  
DEPARTMENT OF FINANCE  
BACHELOR OF COMMERCE HONOURS DEGREE IN FINANCE  
PART IV – SUPPLEMENTARY EXAMINATION – AUGUST 2010  
INTERNATIONAL FINANCE II [CFI 4202]**

**TIME ALLOWED: 3 HOURS**

**Instructions to Candidates**

Answer **all** questions

**Question 1.**

- a. What is the internal financial transfer system of the multinational firm? [5 marks]
- b. What are its distinguishing characteristics? [5 marks]
- c. What are the different modes of internal fund transfers available to the MNC? [10 marks]

**Question 2.**

What are the principal advantages of investing in foreign affiliates in the form of debt instead of equity? [20 marks]

**Question 3.**

Describe five different means that MNCs use to manipulate reported profitability among their various units. [20 marks]

**Question 4.**

The corporate tax rate in Japan is 60%, whereas it is 34% in the United States. Are these figures consistent with the argument that big Japanese companies are overcharging their U.S. subsidiaries in order to avoid taxes? Explain. [20 marks]

**Question 5.**

Differentiate foreign direct investment from foreign portfolio investment and evaluate the strength of each from the host country's perspective [20 marks]