



FINAL EXAMINATION
BACHELOR OF BUSINESS ADMINISTRATION (HONOURS)

COURSE	: INTERNATIONAL FINANCE
COURSE CODE	: FIN4253
DURATION	: 3 HOURS

INSTRUCTIONS TO CANDIDATES:

1. This question paper consists of **TWO (2)** parts : PART A (3 questions)
: PART B (3 questions)
2. Answer **ALL** questions from PART A and PART B.
3. Please check to make sure that this examination pack consists of:
 - i. The Question Paper.
 - ii. An Answer Booklet.
4. Do not bring any material into the examination hall. The use of a calculator is allowed.
5. Please write your answer using permanent ink.

MYKAD/ PASSPORT NO : _____

ID. NO. : _____

LECTURER : _____

SECTION : _____

DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO

This question paper consists of 5 printed pages including the front page

PART A

QUESTION 1

- a. Distinguish between spot exchange rates and forward exchange rates. (5 marks)
- b. Explain **TWO (2)** advantages of using a forward contract in international trade. (5 marks)
- (Total: 10 marks)

QUESTION 2

- a. Discuss the Fisher Effect and its relationship with inflation and interest rates. (5 marks)
- b. Malaysia recorded an inflation rate of 4%, while the United States recorded 2%. The current exchange rate is RM4.50/USD.

Required:

Using the Relative Purchasing Power Parity (PPP), estimate the expected exchange rate one year later.

(5 marks)

(Total: 10 marks)

QUESTION 3

- a. Discover **TWO (2)** the effects of an increase in money supply on interest rates and exchange rates in the short run. (5 marks)
- b. Describe **TWO (2)** reasons why central banks intervene in the foreign exchange market. (5 marks)

(Total: 10 marks)

(TOTAL: 30 MARKS)

PART B

QUESTION 1

BRICS Currency Initiative and International Trade

In recent years, the BRICS countries (Brazil, Russia, India, China, and South Africa) have expanded efforts to strengthen economic cooperation by using local currencies in trade and investment activities. Several member countries have encouraged businesses to settle trade transactions in their domestic currencies rather than rely heavily on the US Dollar.

During recent BRICS meetings, policymakers discussed creating alternative payment mechanisms and increasing the use of local currencies for cross-border trade. Supporters argue that these initiatives can reduce transaction costs, improve financial independence, and minimise exposure to US Dollar exchange-rate fluctuations.

However, economists have raised concerns about the feasibility of a common BRICS settlement currency. Differences in inflation rates, monetary policies and economic conditions among member countries may create challenges in achieving long-term currency stability and investor confidence.

Required:

- a. Determine the meaning of the BRICS currency initiative.
(5 marks)
- b. Find **TWO (2)** reasons why BRICS countries want to reduce dependence on the US Dollar.
(5 marks)
- c. Examine how greater use of local currencies may affect exchange rates and international trade.
(5 marks)
- d. Identify **ONE (1)** advantage and **ONE (1)** challenge of implementing a BRICS common settlement currency.
(5 marks)

(Total: 20 marks)

QUESTION 2

Trump Tariffs and International Trade

In 2025, the United States introduced additional tariffs on selected imported products to protect domestic industries and reduce trade deficits. The policy targeted several industries, including manufacturing, steel and selected technology products. Policymakers believed that tariffs would encourage domestic production and reduce dependence on imported goods.

Supporters argued that tariffs could strengthen local industries and create employment opportunities. They also believed that reducing imports could improve the country's balance of trade. However, critics warned that tariffs could raise production costs and lead to higher consumer prices.

Several trading partners expressed concerns about the policy and considered imposing retaliatory tariffs on US exports. Economists continue to debate whether tariffs provide long-term economic benefits or only temporary protection for domestic industries.

Required:

- a. Criticise the meaning of a tariff with an example. (5 marks)
 - b. Identify **TWO (2)** effects of tariffs on imports and exports. (5 marks)
 - c. Examine how tariffs may affect domestic prices and consumers. (5 marks)
 - d. Evaluate whether tariffs can help local industries in the short run. (5 marks)
- (Total: 20 marks)

QUESTION 3

**Central Bank Digital Currency (CBDC),
ASEAN Cooperation and Malaysia–China Trade**

Rapid digital transformation has encouraged many central banks around the world to explore the development of Central Bank Digital Currencies (CBDCs). Unlike cryptocurrencies, CBDCs are issued and regulated by central banks and are recognised as legal tender. Governments believe that CBDCs can improve payment efficiency and support the development of digital economies.

At the regional level, ASEAN countries have intensified efforts to strengthen financial cooperation through cross-border payment connectivity and local currency settlement frameworks. Malaysia and China have also expanded the use of their local currencies in bilateral trade settlements to reduce dependence on third-party currencies. Supporters argue that CBDCs and local currency settlement arrangements can reduce transaction costs, improve payment efficiency and lower exchange-rate risks for businesses engaged in international trade. These initiatives may also encourage greater trade and investment activities among participating countries. Despite these benefits, challenges remain. Policymakers must address cybersecurity threats, regulatory differences and financial stability concerns. Successful implementation also requires strong cooperation among central banks and financial institutions.

Required:

- a. Identify the concept of Central Bank Digital Currency (CBDC).
(5 marks)
- b. Determine **TWO (2)** benefits of using local currencies in Malaysia–China trade settlements.
(5 marks)
- c. Examine **FOUR (4)** impacts of CBDC on international payments and foreign exchange transactions.
(10 marks)
- d. Evaluate **TWO (2)** ways ASEAN monetary cooperation can help reduce exchange-rate uncertainty among member countries.
(10 marks)

(Total: 30 marks)

(Total: 70 Marks)

(TOTAL: 100 MARKS)

END OF QUESTION PAPER

