

BOWEN UNIVERSITY, IWO
FACULTY OF SOCIAL AND MANAGEMENT SCIENCES
DEPARTMENT OF BANKING AND FINANCE
B.Sc. DEGREE PROGRAM
FIRST SEMESTER EXAMINATION, 2013/2014

COURSE TITLE: INTERNATIONAL TRADE AND FINANCE

COURSE CODE: BFN 417

TIME ALLOWED: 3HRS

INSTRUCTION: ANSWER ANY FOUR QUESTIONS

1 (a) Different theories had been propounded on why countries engage in international trade. Some countries succeed in International trade and some fail. Using National Competitive Advantage (Porter's Diamond) as propounded by Michael Porter of Harvard Business School, explain why some countries fail and some succeed. 10marks

(b) What are the impediments to International trade? 7.5marks

2 Write brief notes on

(a) Confirmed Letter of Credit 6marks

(b) Why Nostro and Vostro accounts may not agree as at a particular time 6 marks

(c) Transit credits 5.5 marks

3 (a) Enumerate the functions of a Bill of Lading 9marks

(b) Differentiate a consular invoice from a pro-forma Invoice 4marks

(c) What do you understand by "PROTEST" of a bill of exchange in international trade? 4.5 marks

4 (a) Discuss two examples each of

(i) Method of payment in International trade 10marks

(ii) Means of payment in international trade

(b) Federal Government of Nigeria provided incentive for exporters.
Explain one financial incentive and one non- financial incentive provided 7.5 marks

5(a) Balance of Payment serves some purposes. Give four purposes 8 marks

5(b) There are some liabilities and responsibilities of parties concerned with documentary credits as contained in ICC Uniform customs and Practice for Documentary credits. Explain some of the liabilities and responsibilities 9.5 marks

6 Greedy PLC intends to import 1000 units of Nokia IPAD from INDIA at a cost of 350 Rupees each. The items will be sent by AIRCARGO at a cost of \$750 for the total IPAD to enable the IPAD to arrive in Lagos before April 2014. Insurance will cost 250 pounds for all the IPAD while custom duty is 50 000naira for all the consignment
The exporter has agreed that Greedy PLC should pay 80% of the total cost immediately on Monday 20th January 2014 and remaining balance (20%) to be paid on 20th May 2014. Each of the IPAD could be sold for 2000naira.

Required:

Calculate the expected profit (or loss) for this transaction.

NB: The following exchange rates are the Spot and Forwards rates agreed with the Main Street Bank PLC (banker to Greedy PLC)

SPOT RATE

1 POUND= 75 RUPEES=#250(NAIRA)=\$1.50

FORWARD RATE

1 POUND=80 RUPEES=#260(NAIRA)=\$1.60