

THE INSTITUTE OF BANKERS OF ZIMBABWE

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DIPLOMA LEVEL	
SUBJECT	FINANCE OF INTERNATIONAL TRADE II
DATE	OCTOBER 2020
TIME	3 HOURS
MARKS	100
EXAM TYPE	CLOSED BOOK



INSTRUCTIONS TO CANDIDATES

1. Read the instructions CAREFULLY before answering the paper
2. Answer any four (4) questions
3. Each question carries 25 marks
4. Please be neat – illegible handwriting cannot be marked
5. Use black or blue ink
6. Ensure that all information on the cover of your answer book is completed in full.
7. Cheating is not allowed. If anyone is caught cheating, disciplinary measures will be taken by the Institute of Bankers.

GOOD LUCK !

OCTOBER 2020

INSTITUTE OF BANKERS OF ZIMBABWE

INSTRUCTIONS: Answer any four (4) questions. Each question carries equal marks (25 marks)

QUESTION 1

- a) Define a documentary collection. Briefly describe the documentary collection process. **(15 marks)**
- b) Discuss the major differences between a Documentary Credit and a Documentary collection. **(10 marks)**

QUESTION 2

- a) Distinguish between current account and capital account on the Balance of Payments and explain which transactions are recorded in each of these accounts. **(8 marks)**
- b) Exchange controls affect trade through multiple effects. Discuss the advantages and disadvantages of exchange controls. **(8 marks)**
- c) Discuss three factors that would determine a countries exchange rate? **(9 marks)**

QUESTION 3

- A. Briefly explain the roles of the following five major parties to a documentary letter of credit:
- a) The issuing bank **(3 marks);**
 - b) The advising bank **(3 marks);**
 - c) The confirming bank **(3 marks).**
 - d) Importer **(3 marks)**
 - e) Exporter **(3 marks)**

- B. Many letters of credit are declared invalid when they are presented for payment because of 'discrepancies'. List any ten (10) examples of common discrepancies on a letter of credit. **(10 marks)**

QUESTION 4

Explain the following terms in relation to international trade:

- a) Open account Payment method **(5 marks)**
- b) Advance Payment method **(5 marks)**
- c) Consignment payment method **(5 marks)**
- d) Export factoring **(5 marks)**
- e) Bills of Exchange **(5 marks)**

QUESTION 5

- a) Distinguish between **translation risk, transaction risk and economic risk** in relation to foreign exchange risk management **(15 marks)**
- b) Discuss the four factors that would determine a country's exchange rate **(10 marks)**