STRATHMORE BUSINESS SCHOOL

MASTER OF DEVELOPMENT FINANCE

SPECIAL EXAMINATIONS

MDF 8302: FOREIGN DIRECT INVESTMENT

DATE: Tuesday 21st April 2026 **TIME:** 3 Hours

Instructions:
Question **ONE** is **COMPULSORY.** Attempt any other **TWO** questions

QUESTION ONE (30 Marks)

a. Discuss the Kenyan foreign direct investment policy in relation to the following aspects

i. Foreign exchange and remittances **[4 Marks]**

ii. Expropriation and compensation **[4 Marks]**

iii. Limits on foreign control **[4 Marks]**

iv. Intellectual property rights **[4 Marks]**

v. Labor policies and practices **[4 Marks]**

b. "Ease of doing business" is one of the main determinants of foreign direct investment. You are required to identify the **TEN** attributes that World Bank considers in constructing the index **[10 Marks]**

QUESTION TWO (20 Marks)

a. International Finance Corporation [IFC] is one of the biggest financiers of multinational corporations. You are required to explain **FIVE** features of IFC investment policy **[10 Marks]**

b. Taxation authorities in each country are aware that companies can use the transfer pricing system to manipulate the taxable profits that are declared in different countries. In an attempt to provide a world-wide consensus on the pricing of international intra-firm transactions the Organization for Economic Co-operation and Development [OECD] issued a guideline statement in 1995 (OECD, Paris, 1995). Explain **FIVE** alternative methods of pricing intra-firm transactions **[10 Marks]**

QUESTION THREE (20 Marks)

a. Multinationals need to formulate global business strategies. However, it is important to note that much as domestic and global strategies have much in common, global strategy differs from domestic strategy in some distinct respects. Explain **[10 Marks]**

b. Explain **FIVE** ways in which geographically dispersed marketing activities can be coordinated to gain competitive advantage **[10 Marks]**

QUESTION FOUR (20 Marks)

a. Developed economies typically offshore to emerging markets. It is argued that both parties benefit from this arrangement. Discuss **[10 Marks]**

b. Explain **FIVE** country specific factors that a multinational corporation considers when estimating the cash flows that are likely to be provided by a foreign target to the parent **[10 Marks]**

QUESTION FIVE (20 Marks)

a. Multinational corporations can use country risk analysis as a screening device to avoid conducting business in countries with excessive risk. Explain **FOUR** country risk analysis techniques **[8 Marks]**

b. China is the best case study on the impact of foreign direct investment. Discuss the impact of foreign direct investment on China **(12 Marks)**