

CHUKA



UNIVERSITY

**UNIVERSITY EXAMINATIONS
RESIT/SPECIAL EXAMINATION**

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF
COMMERCE**

BCOM 331: FINANCIAL INSTITUTIONS AND MARKETS

STREAMS: BCOM Y3S1

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 03/11/2021

2.30 P.M – 4.30 P.M.

INSTRUCTIONS:

- **Answer Question One and any Other Two.**

Question One

- a) A securities exchange is a financial system that facilitates the flow of funds from those with surplus to those with deficit through trading. Apart from its main role, explain other functions performed by the securities exchange of a country
(10 marks)
- b) Differentiate between primary markets and secondary markets (6 marks)
- c) Financial institutions are faced with various types of risks that affect their functioning and performance. Identify and describe these risks (10 marks)
- d) Distinguish between a future contract and a forward contract (4 marks)

Question Two

- a) The Kenyan capital market has in the recent past had many new companies being listed, this has facilitated its growth and development. Apart from this, discuss other factors that have resulted to its growth (10 marks)
- b) The central bank is put in place in order to promote financial soundness in the financial system and promote economic stability of a country. Apart from this function describe other functions performed by Central Bank (10 marks)

Question Three

a) Due to the dynamism of financial institutions and markets there are certain rules put in place to oversee their operation. Discuss (10 marks)

b) Explain the various types of bonds found trading in the bond market (10 marks)

Question Four

a) Describe the benefits that a company is able to obtain from trading at the securities exchange

(10 marks)

b) Highlight the role of capital market authority in creating a conducive environment for trading of securities (6 marks)

c) Explain the factors that have led to the integration of financial institutions and markets throughout the world (4 marks)
