

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS.

THIRD YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF
COMMERCE AND BACHELOR OF COOPERATIVE MANAGEMENT

BCOM 331: FINANCIAL INSTITUTIONS AND MARKETS

STREAMS: BCOM & BCOP Y3S1

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 5/12/2018

8.30 A.M - 10.30 A.M

INSTRUCTIONS:

- Answer Question ONE and any other TWO Questions
- Do not write anything on the question paper

QUESTION ONE

- (a) Explain the various types of financial institutions that can be found in Kenya. [6 Marks]
- (b) Describe the factors that could discourage the development of markets for long term funds. [6 Marks]
- (c) Using an illustration, describe how financial institutions channel funds from those who have to those who don't have. [5 Marks]
- (d) Discuss the role of financial institutions in money supply transmission. [8 Marks]
- (e) Describe the advantages for existence of money markets. [5 Marks]

QUESTION TWO

- (a) Explain the reasons why the Nairobi Securities Exchange is not well developed. [8 Marks]
- (b) Market effectiveness can be determined by its ability to incorporate information and adjustment of prices to new information. Using examples explain this concept. [6 Marks]
- (c) Highlight the various types of risks facing financial institutions. [6 Marks]

QUESTION THREE

- (a) Clearly explain the functions performed by financial institutions in any economy. [10 Marks]
- (b) Discuss the reason for existence of safety and soundness regulation. [5 Marks]
- (c) Highlight the functions of capital market. [5 Marks]

QUESTION FOUR

- (a) Explain the role of Nairobi Securities Exchange in economic development. [8 Marks]
- (b) Describe the role of Central Bank as a banker to the government. [4 Marks]
- (c) Explain the different types of bonds found in the bond market. [8 Marks]

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