

**CHUKA**



**UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

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

**BCOM 331: FINANCIAL INSTITUTION**

**STREAMS: BCOM Y3S1 (ODEL)**

**TIME: 2 HOURS**

**DAY/DATE: TUESDAY 06/08/2019**

**8.30 A.M. – 10.30 A.M.**

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**INSTRUCTIONS:**

- **ANSWER QUESTION ONE AND ANY OTHER TWO**

**QUESTION ONE**

- (a) Due to technological advances, a lot of innovations have been introduced in the financial institutions and markets.
- (i) Discuss the benefits associated with the adoption of technology in financial systems. (6 marks)
- (ii) Explain factors that have made it possible for the integration of financial markets. (6 marks)
- (b) Explain the role of the East Africa community in enhancing growth of financial system. (6 marks)
- (c) Explain the four various types of risks that are faced by financial institutions. (8 marks)
- (d) Distinguish between a forward contract and a future contract. (4 marks)

**QUESTION TWO**

- (a) Private companies that want to raise additional funding often opt for raising equity through the sale of shares. Explain the advantages of raising equity through this process. (10 marks)
- (b) Discuss the various types of bonds found in the bond market. (10marks)

**QUESTION THREE**

- (a) There are many financial institutions existing in the world today. They all play different roles in providing financial services. Discuss the specific roles played by financial institutions. (10 marks)
- (b) Explain some of the challenges of the money market. (4 marks)
- (c) Discuss the role of central bank as a banker to the government. (6 marks)

**QUESTION FOUR**

- (a) Differentiate a bull and a bear as participants found in the stock market. (4 marks)
  - (b) Regulations are put in place by relevant authorities to ensure customers are protected from illegal activities and their money is kept safe by financial institutions.  
Clearly explain any regulations that have been enacted to ensure this. (10 marks)
  - (c) Highlight some of the functions performed by capital market authority. (6 marks)
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