

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE

BCOM 331: FINANCIAL INSTITUTIONS AND MARKETS

STREAMS: BCOM Y3S2

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 08/04/2020

2.30 P.M. – 4.30 P.M.

INSTRUCTIONS:

- **Answer question ONE and any other TWO.**

QUESTION ONE

- (a) Financial markets and institutions have opened up to foreign investors hence facilitating foreign inflows and increased global transactions. Clearly explain the reason for this development. (6 marks)
- (b) There are many organizations that specialize in the function of tapping public savings and lending the amount on long or short term basis. Discuss any 5 of such organizations. (10 marks)
- (c) Discuss how financial institutions are able to carry out their transactions at a reduced cost. (6 marks)
- (d) Explain any 4 instruments found in the derivative market. (8 marks)

QUESTION TWO

- (a) The securities exchange is a market place that facilitates trading in securities and capital mobilization. Discuss other important of this market to the economy. (10 marks)
- (b) Describe the reasons for development of the central depository system. (6 marks)
- (c) Describe the advantages of investing in shares. (4 marks)

QUESTION THREE

- (a) Explain the different types of risks faced by financial institutions. (10 marks)
- (b) The central bank of Kenya is charged with the responsibility of maintaining financial soundness. Describe how it carries out this function. (8 marks)
- (c) Differentiate a broker and a jobber. (2 marks)

QUESTION FOUR

- (a) Due to the dynamism of financial institutions and markets there are certain rules put in place to oversee their operations. Discuss. (10 marks)
 - (b) An increase in the number of financial institutions in Kenya has led to both positive and negative consequences. Describe 5 positive and 5 negative consequences. (10 marks)
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