

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

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

BCOM 331: FINANCIAL INSTITUTIONS AND MARKETS

STREAMS: BCOM Y3S1 (ODEL)

TIME: 2 HOURS

DAY/DATE: TUESDAY 14/04/2020

8.30 AM – 10.30 AM

INSTRUCTIONS:

Answer Question One and any other Two Questions

QUESTION ONE

- (a) Explain the difference between the following markets:
- (i) Primary market and secondary market [5 marks]
 - (ii) Money market and capital market. [5 marks]
- (b) Describe the mandate of Capital Market Authority as stipulated in the CMA Act cap 485 (A) [10 marks]
- (c) Discuss the various functions of financial markets and institutions in the modern economy. [10 marks]

QUESTION TWO

- (a) Give brief explanation on the following 3 types of jobbers.
- (i) Bulls [2 marks]
 - (ii) Bears [2 marks]
 - (iii) Stags [2 marks]
- (b) Outline any five reasons as to why Nairobi Securities Exchange (NSE) is not well developed. [10 marks]

- (c) Explain the three main forms of stock market efficiency. [4 marks]

QUESTION THREE

- (a) Describe the various risks facing financial institutions in their day to day operations. [12 marks]

- (b) Money market in Kenya is said to be expensive than capital market in terms of borrowing. Discuss highlighting the causes of this scenario. [8 marks]

QUESTION FOUR

- (a) Explain the factors that have led to the rapid development of financial institutions. [10 marks]

- (b) Describe five different securities that are found in derivative market. [10 marks]
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