CHUKA UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE

BCOM 331: FINANCIAL INSTITUTIONS AND MARKETS

STREAMS: BCOM (ODEL) TIME: 2 HOURS

DAY/DATE: WEDNESDAY 07/08/2024 8.30 A.M. – 10.30 A.M.

INSTRUCTIONS: Answer question ONE and any other TWO questions

Question One

a) Financial institutions play a significant role in ensuring the transfer of financial resources from those with surplus to those in need. Apart from this function

i Discuss the other functions carried out by financial institutions (8 marks)

ii Describe the reasons for increase in the number of financial institutions in Kenya (6 marks)

b) Discuss some of the emerging issues in the Kenyan financial markets and institutions (8 marks)

c) Explain the various types of derivatives found in the derivative market and how they help to mitigate risk. (8 marks)

Question two

a) Bonds are loans made to large organizations such as corporations and governments. They are issued to borrow money from investors for major projects and other uses. Explain the various types of bonds that can be issued in an effort to raise money. (8 marks)

b) The capital market authority is in charge of ensuring the efficient development of capital markets. Discuss how it carries out this role (8 marks)

c) Distinguish between primary market and secondary market (4 marks)

Question Three

a) Discuss the various types of risks faced by financial institutions and how the institutions can overcome these risks (8 marks)

a) Describe the role played by Central Bank of Kenya in ensuring financial soundness of the country (8 marks)

b) Highlight any 2 benefits that investors would obtain from investing in shares (4 marks)

Question Four

a) Critics argue that one of the reasons for slow growth of economies in developing countries is because they do not have well developed securities market

i. Explain the contribution of securities exchange to a country's economic development (10 marks)

ii. Describe the various participants found in the securities exchange (6 marks)

b) Describe the reasons for globalization of financial institutions and markets (4 marks)

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