

**MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**P.O. Box 972-60200 – Meru-Kenya**

**Tel: 020-2069349, 061-2309217. 064-30320 Cell phone: +254 712524293, +254 789151411**

**Fax: 064-30321**

**Website:** [**www.must.ac.ke**](http://www.must.ac.ke) **Email:** [**info@must.ac.ke**](mailto:info@must.ac.ke)

**University Examinations 2015/2016**

THIRD YEAR FIRST SEMESTER EXAMINATION FOR THE DEGREE

OF

BACHELOR OF COMMERCE

**BFC 3328: FINANCIAL INSTITUTIONS AND MARKETS**

**DATE: APRIL 2016 TIME: 2 HOURS**

**INSTRUCTIONS:** *Answer question* ***one*** *and any other* ***two***questions.

**QUESTION ONE (30 MARKS)**

1. Discuss the benefits of securitization (10 marks)
2. Explain the factors influencing interest rates in an economy. (5 marks)
3. Discuss three forms of regulations in Kenya’s finance market. (12 marks)
4. What are the negative aspects of small financial systems in Africa? (3 marks)

**QUESTION TWO (20 MARKS)**

1. Discuss the benefits of listing at the Nairobi Securities Exchange (NSE) (8 marks)
2. Discuss the Role of Capital Market Authority in the economic development of a country

(8 marks)

1. Explain the implications of efficient markets hypothesis to investors and firm managers.

(4 marks)

**QUESTION THREE (20 MARKS)**

1. Discuss the functions of financial system in the economy. (8 marks)
2. Explain using examples the role played by insurance companies in the development of Kenyan economy (7 marks)
3. Highlight eight qualities of Money. (5 marks)

**QUESTION FOUR (20 MARKS)**

1. Explain the distinction between
2. Primary market versus secondary markets (5 marks)
3. Money market versus capital market (5 marks)
4. The East African Securities exchange Association has crafted proposition that will see creation of the regional common depository to ensure efficient delivery and settlement of securities across regional markets. Describe the current achievements and progress going on to achieve these purposes. (10 marks)

**QUESTION FIVE (20 MARKS)**

1. Discuss the emerging issues and trends in financial institutions and markets. (8 marks)
2. Explain what is meant by bank run and Bank panic. (2 marks)
3. Identify and explain the different types of bonds (4 marks)
4. Discuss the various risk faced by investors in financial markets. (6 marks)