

MAASAI MARA UNIVERSITY

**REGULAR UNIVERSITY EXAMINATIONS**

**2016/2017 ACADEMIC YEAR**

**THIRD YEAR SECOND SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS**

**BACHELOR OF BUSINESS MANAGEMENT**

**COURSE CODE: BBM 312**

**COURSE TITLE: FINANCIAL INSTITUTIONS AND**

**MARKETS**

**DATE: 28TH APRIL 2017 TIME: 2.00PM-4.00PM**

**INSTRUCTIONS TO CANDIDATES**

* ***Answer question ONE (compulsory) and any other THREE***
* ***Question one carries 25 marks***
* ***All other questions carry 15 marks***

*This paper consists of 3 printed pages. Please turn over*

**QUESTION ONE**

1. Discuss the theories that explain the yield curve **(6marks)**
2. Identify the challenges facing the Capital Markets Authority in fulfilling its mandate in the dynamic securities markets **(6marks)**
3. Give a brief definition of financial markets and enumerate in detail why they are needed for economic development **(5marks)**
4. Briefly describe the role of financial institutions as Financial Intermediaries

**(5marks)**

1. Briefly discuss the arbitrage process **(3marks)**

**QUESTION TWO**

1. Briefly discuss the role of market efficiency hypothesis in economic development

**(5marks)**

1. Discuss financial innovation and its contribution to growth of the economy

**(5marks)**

1. Explain the meaning of securitization and its prospects in Kenya **(5marks)**

**QUESTION THREE**

1. Briefly differentiate between NBFIs (non banking financial institutions) and Commercial Banks **(8marks)**
2. An investor intents to place kshs 12,000,000 in the 91 days Treasury bill at a quoted rate/yield of 7.65% p.a. What is his /her return, if s/he is a withholding tax payer or non-withholding taxpayer **(7 marks)** **QUESTION FOUR**
3. The basic function of a stock exchange is the raising of funds for investment in long-term assets. Discuss the role of the stock exchange in economic development.

**(11 marks)**

1. Outline four elements of the transaction process required to underwriting a security

**(4 marks)**

**QUESTION FIVE**

a) The Central Bank Act of 1966 highlights the role of Central Bank as the financial regulator of Commercial Banks. Explain challenges faced by Central Bank in discharging this mandate **(5 marks)**

b) Briefly explain five objectives to be considered for monetary policy. **(5 marks)**

c)Explain five regulations implemented by the government to protect the public and the economy from financial panic **(5marks)**