



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS & ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE OF MASTER OF BUSINESS
ADMINISTRATION (FINANCE OPTION)
YEAR 2 SEMESTER 1 2018 ACADEMIC YEAR
MAIN CAMPUS

MBA 817: FINANCIAL INSTITUTIONS AND MARKETS

EXAM VENUE:

STREAM: (MBA)

DATE:

EXAM SESSION:

TIME: 3 HOURS

Instructions:

- 1. Answer Question ONE (COMPULSORY) and ANY other 2 questions**
- 2. Candidates are advised not to write on the question paper.**
- 3. Candidates must hand in their answer booklets to the invigilator while in the examination room.**

QUESTION ONE (30 MARKS)

a).Citing relevant example discuss the economic advantages created by the existence of the following markets:

- (i) Primary markets. (3 marks)
- (ii) Secondary markets (3 marks)
- (iii) Portfolio management firms. (4 marks)

b). Explain the factors affecting exchange rates in foreign exchange market. (10 Marks)

c). Besides the restrictions on current borrowing, most countries have constitutional provisions limiting their debt-creating capacity. They require a constitutional amendment beyond a specified debt limit. Restrictions on government debt are quite specific and stringent. Discuss. (10marks)

QUESTION TWO (20 MARKS)

a). Explain clearly how the Capital Authority can ensure:-

- (i) Faster growth and development of the Nairobi Stock Exchange in Kenya (6 marks)
- (ii) Development of other stock exchanges in Kenya (4 marks)

b).International Financial Corporation (IFC), engages in a number of activities designed to promote the growth of private investment. Discuss any five (5) activities performed by International Finance Corporation (IFC). (10 Marks)

QUESTION THREE (20 MARKS)

Foreign Ventures Ltd. is a multi-national company with a head office in London and many subsidiaries in Africa and Asia. A subsidiary in Africa is considering the possibility of raising funds either in the domestic market or in the foreign market using euro currency and euro bond markets.

Required:

(a) Distinguish between Eurocurrency , Eurobond and Euro equity markets (9 Marks)

(b) Explain on factors to be considered on the choice for a large multinational company between borrowing funds from domestic markets and the Eurocurrency markets (10 marks)

QUESTION FOUR (20 MARKS)

- a) Explain eight (8) objectives of fiscal policy with specific reference to the needs of the developing countries like Kenya. (8 marks)
- b) Explain the factors affecting exchange rates in foreign exchange market. (12 marks)

QUESTION FIVE (20 MARKS)

a) Derivatives are basically instruments that help you to trade in the future at price that you fix today. Simply stated you enter into an agreement to buy or sell a share or other

instrument at certain fixed price. Discuss the relevance of the following financial derivatives as tools of financial risk management.

- i) Forwards (4 Marks)
- ii) Futures (4 Marks)
- iii) Options (4 Marks)
- iv) Swaps (4 Marks)

b).Enumerate the functions of financial markets and financial institutions in an economy.
(8 marks)