

**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
KISUMU CAMPUS**

**ABA 318 _ FINANCIAL INSTITUTIONS AND MARKETS
FINAL EXAMINATIONS**

Time: 2 Hours

SECTION A: (COMPULSORY QUESTION)

QUESTION 1

- i. Differentiate between “margin purchases” and “short selling” (4 marks)
 - ii. Analyze five factors that might hinder financial deepening in Kenya (10 marks)
 - iii. Suppose an investor purchased a 95-day commercial paper with a par value of Kshs. 1,000,000 for a price of Kshs. 994,854. Calculate the discount yield of the commercial paper. (4 marks)
 - iv. List two money market securities issued by corporations and government units to obtain short-term funds (2 marks)
 - v. Explain five factors that have led to rapid development of commercial banks in Kenya (10 marks)
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SECTION B: (ANSWER ANY TWO QUESTIONS)

QUESTION 2

- i. List two importance of a well-functioning financial system (2 marks)
- ii. What is the difference between money markets and capital markets (4 marks)
- iii. Differentiate between bulls market and bears market as used in capital markets (4 marks)
- iv. Explain five roles of capital markets in an economy (10 marks)

QUESTION 3

- i. Discuss four challenges and policy direction for the Central Bank of Kenya concerning commercial Banks (12 marks)
- ii. Explain three reasons why financial markets are regulated? (6 marks)

- iii. List two reasons why there is a need for financial intermediation in an economy (2 marks)

QUESTION 4

- i. Define a financial system (2 marks)
- ii. Explain five functions of financial institutions in a financial market (10 marks)
- iii. List four principles of bank management (4 marks)
- iv. Differentiate between a “primary market” and a “secondary market” in equities market (4 marks)

QUESTION 5

- i. Explain three characteristics of a treasury bill (6 marks)
- ii. Discuss three functions of the Central Bank of Kenya (9 marks)
- iii. Differentiate between the terms “diversification” and “disintermediation” as used in financial markets (5 marks)