



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS & ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS
ADMINISTRATION (FINANCE) WITH IT
3RD YEAR 2ND. SEMESTER 2018/2019 ACADEMIC YEAR
KISII CAMPUS-PART TIME

COURSE CODE: ABA 318

COURSE TITLE: FINANCIAL INSTITUTIONS AND MARKETS

EXAM VENUE:

STREAM: (BBA) YEAR 3 SEM 2.

DATE:

EXAM SESSION: –DECEMBER 2018

TIME: 2 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:

- a) Explain the five functions of financial markets and financial institutions in an economy. **(5Marks)**
- b) Explain the three forms of efficient market hypothesis. **(6 marks)**
- c) Differentiate the following terms as used in financial markets:
- i. Primary markets and secondary markets **(2 marks)**
 - ii. Over the counter markets and organized exposure. **(2 Marks)**
 - iii. Transaction exposure and Translation exposure. **(2 Marks)**
 - iv. Contango operations and backwardation. **(2 Marks)**
- d) Maintaining stability is one of the key roles of the central bank of Kenya. One of the key prices is interest rates. Discuss three theories that explain the term structure of interest rates. **(6 Marks)**
- e) Explain the reasons as to why money markets are not fully developed in Kenya.**(5marks)**

QUESTION TWO

- a) Discuss the role of capital markets in an economy and the challenges facing capital markets. **(10 Marks)**
- b) Discuss the financial instruments in Money markets. **(10 Marks)**

QUESTION THREE.

- a) The stock exchange has come under sharp focus in recent times. Discuss the functions of Nairobi stock exchange. **(10 Marks)**
- b) Enumerate the key functions performed by central bank of Kenya. **(10 Marks)**

QUESTION FOUR:

- a) Explain the factors affecting exchange rates in foreign exchange markets. **(10 marks)**
- b) Explain the objectives of fiscal policy with specific reference to the needs of the developing countries like Kenya. **(10 Marks)**

QUESTION FIVE:

- a) Explain the functions of the central depository system (CDS) in your country.**(10 marks)**
- b) Explain the term an efficient market and describe the conditions that need to be met for a market to be sufficiently efficient. **(10 Marks)**