



MURANGA UNIVERSITY COLLEGE

(A constituent College of Jomo Kenyatta University of Agriculture & Technology)

MAIN CAMPUS

SPECIAL / SUPPLEMENTARY EXAMINATIONS

2015/2016 ACADEMIC YEAR

THIRD YEAR FIRST SEMESTER EXAMINATIONS

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: HBF 2301

COURSE TITLE: FINANCIAL INSTITUTIONS AND MARKETS

DATE: -----, 2016

TIME:

INSTRUCTIONS TO CANDIDATES

- Question ONE (1) is compulsory
- Answer ANY OTHER TWO questions

MRUC observes ZERO tolerance to examination irregularities

This Paper Consists of 2 Printed Pages. Please Turn Over.



QUESTION ONE (COMPULSORY)

- a. Explain the role that depository financial institution play in the financial system (10 marks)
- b. Why are derivative financial assets important in the financial markets (4 marks)
- c. Differentiate between spot and forward foreign exchange transaction (4 marks)
- d. The Capital Markets Authority is one of the key regulators in the Kenyan financial system. Highlight its functions as stipulated in the CMA Act (12 marks)

QUESTION TWO

- a. Explain the operation of the following financial institutions
 - i. Mutual funds (4 marks)
 - ii. Pension funds (4 marks)
- b. Explain the importance of organized stock exchanges in the financial markets (12 marks)

QUESTION THREE

- a. Differentiate between secondary stock offerings and an initial public offering (6 marks)
- b. Explain the operation of the following money market securities
 - i. Repurchase agreement (4 marks)
 - ii. Bank acceptance (4 marks)
- c. For what reasons should financial markets be efficient? (6 marks)

QUESTION FOUR

- a. Differentiate between organized and over-the-counter stock exchanges (6 marks)
- b. Financial markets can be classified by the maturity structure of the securities traded in them. Discuss giving examples of securities in each type (14 marks)