



10

(Knowledge for Development)

KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2017/2018 ACADEMIC YEAR
SECOND YEAR FIRST SEMESTER
MAIN EXAMINATION

**FOR THE DEGREE OF MASTERS IN BUSINESS
ADMINISTRATION**

COURSE CODE: MBA 830

**COURSE TITLE: FINANCIAL MARKETS AND
INSTITUTIONS**

DATE: 16/01/2018 **TIME:** 9.00 A.M

INSTRUCTIONS TO CANDIDATES

Answer Question One in Section A and Any other TWO (2) Questions in Section B

TIME: 2 Hours

KIBUCO observes ZERO tolerance to examination cheating

SECTION A (COMPULSORY)

QUESTION ONE

- a) The many different trading mechanisms observed in financial markets fall roughly into quote driven and order driven markets. Using well illustrated diagrams explain what a quote and order driven markets are (10mks)
- b) State and explain sources of private equity investment in the markets (9mks)
- c) Consider the following statements; a speculator who felt that interest rates were likely to rise or currency's value decline would go short in relevant assets by selling futures contract
 - i) Why would the speculator go short rather than long in this two cases (3mks)
 - ii) What does going short in interest rates mean (4mks)
 - iii) How does selling a futures contract allow one to go short (4mks)

SECTION B (CHOOSE ANY TWO QUESTIONS)

QUESTION TWO

The increasing demand in risk management on the part of organizations has been identified as a general societal trend emphasizing public accountability and responsibility. State and explain various risks that banks are exposed to (20mks)

QUESTION THREE

Explain various classifications of financial markets giving the nature and type of financial instruments sold in those markets (20mks)

QUESTION FOUR

- i) State and explain the role of financial instruments in economic development (10mks)
- ii) Discuss the role of financial intermediation (10mks)

QUESTION FIVE

- a) State and explain factors influencing the exchange rates in the international markets (10mks)
- b) Various properties of financial assets influence its attractiveness to investors. State and explain those properties (10mks)