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(Knowledge for Development)

KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2015/2016 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER

MAIN EXAMINATION

FOR THE MASTER OF BUSINESS ADMINISTRATION

COURSE CODE: MBA 830

COURSE TITLE: FINANCIAL INSTITUTIONS AND MARKETS

DATE: 13.5.2016 **TIME:** 2pm.

INSTRUCTIONS TO CANDIDATES

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

TIME: 3 Hours

KIBUCO observes ZERO tolerance to examination cheating

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

Handwritten signature in red ink, dated 24/4/16.

QUESTION ONE (COMPULSORY 30MARKS)

- a) "The Kenyan Money markets are not well developed". Explain five reasons citing relevant examples that inform this statement. **(10Marks)**
- b) Outline five achievements of CMA of Kenya as a market regulator since 1998. **(5Marks)**
- c) Swaps arrangements are quite flexible and useful in many financial situations. Explain five ways in which Swaps may be important to Kenyan Corporations. **(10 Marks)**
- d) Company ABC Ltd buys 1 year T-Bills with par value of Kshs. 110,000 and paid Kshs. 102,000 for it.
- i) If company ABC Ltd holds T-Bill to maturity, determine the yield rate.
- ii) If company ABC Ltd holds T-Bill for three months, then sells it in secondary market for Kshs.105, 000, determine annualized return. **(5Marks)**

QUESTION TWO

- a). Explain four assumptions underlying Semi-strong –form of market efficient Hypothesis. **(8Marks)**
- b). Discuss the roles of Capital Market Authority of Kenya **(12Marks)**

QUESTION THREE

- a) The Kenyan Vision 2030 aims to transform Kenya into a "newly industrializing, middle-income country providing a high quality life to its citizens by the year 2030. The Vision identifies financial services as one of six sectors that are the key drivers of the economy. By using relevant examples, explain the roles of Commercial Banks towards realization of the Vision 2030. **(15Marks)**
- b) Outline five challenges Commercial Banks face in discharge of their mandate. **(5Marks)**

QUESTION FOUR

- a) Briefly explain the four principles guiding the operations of Central Bank of Kenya in line with the Central Bank Act of 1966. **(8Marks)**
- b) Discuss the distinction in functions between Commercial Banks and Central Bank. **(12Marks)**

QUESTION FIVE

- a) Christensen (2010) classifies Kenya as a frontier market economy whose financial market is advanced, but not to the same extent as emerging markets like S. Africa. Suggest **eight** policy actions that can be targeted to enhance the financial markets and institutions stability in Kenya. **(8marks)**
- b) Discuss factors influencing prices on a stock exchange market. **(12marks)**

OK
Date
2/4/10