



(Knowledge for Development)

KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2020/2021 ACADEMIC YEAR

SECOND YEAR FIRST SEMESTER

MAIN EXAMINATION

FOR MASTERS IN BUSINESS ADMINISTRATION

COURSE CODE: MBA830

COURSE TITLE: FINANCIAL MARKETS AND INSTITUTIONS

DATE: 19TH FEBRUARY, 2021

TIME: 9.00AM – 12NOON

INSTRUCTIONS TO CANDIDATES

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

TIME: 3 Hours

KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 3 Printed Pages. Please Turn Over.



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Knowledge for Development

SECTION A

QUESTION ONE

- a) Distinguish between
 - i) debt and equity securities (4mks)
 - ii) Money markets and debt markets (4mks)
- b) Using relevant illustrations, explain four shapes of yield curves in interest rates (8mks)
- c) Explain the importance of a well-functioning financial system to a developing economy (6mks)
- d) Suppose a bank enters into a reverse repurchase agreement in which it agrees to buy treasury bills from another bank at a price of \$10,000,000 with a promise to sell the securities back at \$10,002,986 after five days. Determine the yield on repos (4mks)
- e) Financial markets can be classified in terms of the extent of financial intermediation involved in the sale of financial instruments. State and explain types of markets under this classifications (4mks)

SECTION B

QUESTION TWO

- a) In the recent past, Kenya has witnessed growth in both the number and the scope of financial institutions. State and explain the causes of this trend. (10 marks)
- b) Money markets have expanded internationally and have grown in size and importance. state and explain reasons for the expansion (5mks)

QUESTION THREE

- a) 'Financial markets are the most regulated markets in modern economy'. Justify this statement by explaining the objectives of regulation (8mks)
- b) State and explain the main participants in derivatives markets (7mks)



QUESTION FOUR

- a) Evaluate the role of capital markets in relation to economic development of a country
(10mks)
- b) Suppose you have the opportunity to buy Kshs. 1000 coupon bond with maturity 30 years and interest rate of 6%. What is the present value of the bond? Is it worth holding it?
(5mks)

